EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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HONG KONG
Peking cancels pledge on democracy
Page 4

World News

US close to chemical arms deal with Soviets

The US and the Soviet Union are near a landmark deal to disclose their stockpiles of chemical weapons and permit short-notice inspection of their production facilities. Page 20. Allied arms trade, Page 6

Refugee dispute
East Germany and Hungary failed to resolve their bitter dispute over Hungary's decision to open its border to the West for East Germans seeking to escape. Page 3

Union reform claim
Senior officials in the West German trade union centre, the DGB, claim to have located an emergent reform movement inside official trade unions in East Germany. Page 3

Nujoma flies home
Namibian black nationalist leader Sam Nujoma, who headed a bitter struggle against South African control of this desert territory, flew home in triumph after three decades of exile. Page 20

Hawke under fire
Australian opposition leaders accused Prime Minister Bob Hawke of erratic behaviour and a loss of self-control with his "no surrender" stand against the country's striking pilots. Page 4

UK-French missile
Britain is still considering a joint project with France to develop an air-launched nuclear missile, Tom King, UK Defence Secretary, said. Page 2

S Africa arrest
South African police have detained a leading anti-apartheid campaigner who was a member of a South African delegation which met President George Bush this year. Page 4

Drugs task force
A task force of senior officials from 15 countries will meet in Paris to launch a new assault on the laundering of money from drugs trafficking. Page 2

Polish foreign test
Poland's Solidarity-led coalition government faced its first foreign policy test as talks started yesterday with West German officials on a forthcoming visit to Warsaw by Helmut Kohl, the West German Chancellor. Page 2

Papandreou charges
A parliamentary commission of inquiry recommended the prosecution of Andreas Papandreou, Greece's former Socialist Prime Minister on criminal charges. Page 20

Lebanese talks
The Lebanese conflict moved from battlefield to conference table, six months after Maj-Gen Michel Aoun, the Christian army chief, launched an unsuccessful bid to expel Syrian forces. Page 4

Policeman shot dead
A British policeman was shot dead at point-blank range, before his killer shot himself dead after being surrounded by armed officers.

Kentucky killing
A disgruntled US worker opened fire with an assault rifle in a Kentucky magazine printing plant, killing seven people and wounding about 10 others.

Business Summary

Hoylake may drop US suits to speed bid for BAT

Hoylake, UK consortium headed by Sir James Goldsmith which is bidding $20.9bn for BAT Industries, may drop lawsuits filed against the US state insurance commissioners, in order to speed regulatory approval of the takeover. Page 21

CONTINENTAL of West Germany, world's fourth largest tyre manufacturer, bought 10 per cent stake in Kwik-Fit Holdings, Britain's biggest independent distributor of tyres. Page 21

MGM-UA Communications, US entertainment group, confirmed that Rupert Murdoch's News Corporation approached it earlier this week with a $23.16 a share takeover proposal. Page 21

FERRUZZI, Italian food and grains group controlled by Mr Raul Gardini, is undertaking a reorganisation of all its trading activities. Page 20

WARRANT was issued for the arrest of John Ferriday, former chairman and chief executive of Eagle Trust, UK industrial holding company which is the subject of a Serious Fraud Office inquiry. Page 11

NIPPON Telegraph and Telephone (NTT), Japan's largest company, will remain a single entity following an inquiry by the Fair Trade Commission, the monopoly body. Page 22

CADBURY Schweppes, UK's largest confectioner, acquired UK rival Trebor, for $171.6m. Page 21; Arab trade, Page 8

GATT economists said free market policies and technical innovation enabled trade to grow at its fastest rate since the 1960s. Page 8

AIR FRANCE, French airline, is expected to strengthen links with Lufthansa, West German airline. Page 23

BABCOCK & WILCOX, engineering subsidiary of McDermott International, US energy services group, has formed a joint venture with Framatome, French nuclear plant builder. Page 23

US TRADE Representative Carla Hills said resolution of the transatlantic dispute over Airbus subsidies is still a high priority for US. Page 8

HULS, chemicals subsidiary of Veba, West German energy group, wants to buy Röhm, German chemicals company. Page 23

PEUGEOT, French car manufacturer, said production is threatened by a strike at its largest plant. Page 3

PRESIDENT Bush's nominee as chairman of US Securities and Exchange Commission was challenged at his confirmation hearings. Page 6

ROYAL Bank of Scotland, UK bank, and assurance company Scottish Equitable are to create a joint life assurance company. Page 10

JAPANESE semiconductor makers are abandoning plans to raise output of 1M DRAM chips, range of memory devices, following falling demand. Page 4

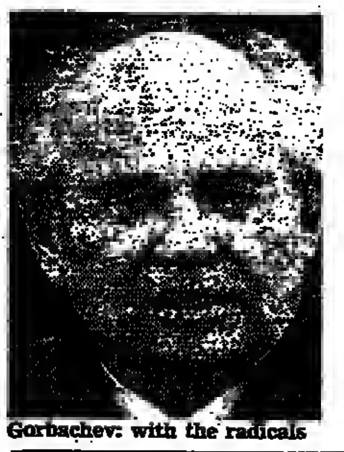
CTM, Confederation of Mexican Workers, wants to buy Compania Minera de Cananea, strike-bound Mexican copper mining company. Page 6

FRANCE said it would press West Germany to take further action to curb its trade surplus at the annual meeting of the IMF. Page 3

MONTREAL Futures Exchange is launching a new future on Canadian government bonds. Page 24

APPLE Computer, US computer manufacturer, plans Hollywood launch for new versions of its personal computer. Page 22

Gorbachev seeks to defuse crisis in Baltic republics



Gorbachev: with the radicals

PRESIDENT Mikhail Gorbachev summoned the leaders of the Soviet Union's three rebellious Baltic republics to Moscow for a meeting which may have decided the Kremlin's policy on relations with its outlying republics, writes John Lloyd in London.

The meeting with Communist Party and government leaders from the three Baltic states of Estonia, Latvia and Lithuania – where opposition to Moscow rule has been most strongly expressed – came less than a week before a crucial plenum of the Party's Central Committee, to be held in Moscow next Tuesday. Many commentators inside and outside the Soviet Union believe the outcome of the plenum is crucial to the course of perestroika and Mr Gorbachev's political future.

The pressures facing him from rebellious republics and dissatisfied consumers are combining to weaken his authority and even to raise the spectre of his replacement.

The two-day meeting ended yesterday. Last night, no details were available but Mr Vaino Valjas, the Estonian Party leader, reportedly told Estonian TV that Mr Gorbachev understood the Baltic states' problems.

Mr Vytautas Landsbergis, a leader of the Lithuanian Sajudis independence movement, said: "We've been waiting for the meeting. We were hoping for two things – to combat the cold war propaganda in Moscow and to prepare for next week's plenum."

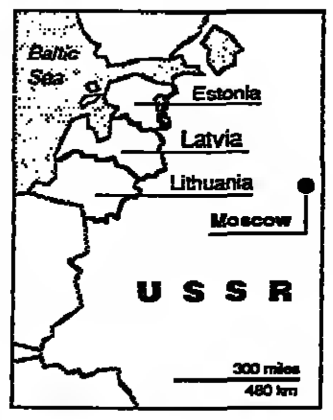
The meeting was held during the absence in East Berlin of Mr Yegor Ligachev, the Politburo's main hardliner and an increasingly outspoken critic of nationalist unrest.

The announcement of the meeting indicates that the Soviet leader has ranged himself on the side of the radical rather than the conservative forces – in spite of last month's statement from the Central Committee, while Mr Gorbachev was on holiday, roundly condemning the Baltic moves for going too far.

The Communist Party's draft "platform" on the nationalities issue has been published. Although it proposes a greater decentralisation, it is unambiguous in asserting the need for cohesion among the 15 Soviet republics.

Leslie Colitt adds from East Berlin: President Gorbachev is to visit East Berlin for the 40th anniversary of the foundation of East Germany.

Dispute continues, Page 3



BP restructures global oil exploration and production operation

By Steven Butler and Max Wilkinson in London

BRITISH PETROLEUM, the world's third-biggest oil company, yesterday announced a sweeping restructuring of its oil exploration and production division, BP Exploration.

The restructuring will lead to about 1,700 job losses worldwide, the sale of $1.31bn of assets to Oryx Energy, the US independent oil company, and a complete remodelling of the company's cumbersome management structure aimed at simplifying the lines of command and reducing costs. The bulk of the job losses, about 1,400, will take place in Britain, with most of the others in the United States.

BP also announced plans to move forward with the £1.5bn ($2.34bn) Bruce gas condensate field, which has reserves of 2.6 trillion (million million) cubic feet of gas and 210m barrels of light liquid hydrocarbons. The project would be based in Glasgow and provide 500 jobs over a three-year period.

Mr John Browne, BP Exploration's managing director, said that, while BP had a highly successful exploration record, its return on assets employed was inadequate and that the company had to prepare itself for harsher business conditions in the coming years.

"This (restructuring) is targeted to soft land the company on a strategic course for the next decade," he said. It would leave BP better prepared to pursue a higher-risk strategy of searching for bigger oil reservoirs in frontier basins.

Mr Browne said the disposal of assets was not aimed at reducing BP's level of debt, which the company is trying to bring down, but rather at reshaping the portfolio of assets by getting rid of assets which did not fit the company's future strategy, and which might be more valuable to another company than BP.

Oryx, the biggest US independent oil company, was created nearly one year ago when Sun Oil, the integrated US company, spun off its US producing properties into a separately listed company. Although the company has a strong cash flow from US operations, it lacks any international exposure. Oryx's final purchase could be reduced in size should BP's partners in individual assets exercise rights, known as pre-emptive rights, through which they can purchase the assets from BP under the same terms agreed with Oryx.

BP is selling 367m barrels of oil at a price of about $3.60 a barrel of oil equivalent. The sale includes BP's interests in five North Sea producing fields, including Audry, Dunlin, Hutton, Murchison, and Ninian, as well as a number of prospective developments and a spread of exploration acreage. Also included are interests in Colombia, Dubai, Ecuador, Gabon, Indonesia, and Italy.

BP said the restructuring would save about $150m annually in operating costs. Mr Browne said BP had no specific plans for proceeds from the asset disposals, but its capital expenditure programme, between $3.0bn and $3.5bn a year, was set to continue.

BP shares fell 5p to close at 320p on the London stock market, where rumours of the deal and the restructuring had circulated widely.

● BP was accused of reneging on promises to maintain Scottish employment made when it took over Britoil last year for £2.4bn.

Mr Alex Salmond, MP for Banff and Buchan, said: "BP is guilty of a breach of faith of breathtaking cynicism. It has torn up the solemn undertakings of last year and is plundering Britoil's assets and sacking BP and Britoil workers. It is a black day for Scotland, but also a black day for the reputation of BP."

A delegation of MP's led by Mr Tony Blair, the Labour party energy spokesman, and Mr Donald Dewar, Labour's spokesman for Scotland, will visit Mr John Wakeham, the energy secretary, today to voice their concern. The MPs will call on the Government to order BP to reverse the redundancy plans on the grounds that they breach the spirit of undertakings given to the Treasury in February 1988 when Britoil was bought.

Mr Browne said: "We believe that we are not only within the letter of the assurances we gave the Government, but within the spirit."

He said efforts would be made to achieve as many of the cuts as possible by early retirement and voluntary redundancy.

Scottish reaction, Page 11; Lex, Page 20; London stock markets, Page 35.

Campeau junk bonds continue to plunge

By Anatole Kaletsky in New York

THE JUNK BONDS issued by Campeau Corporation to finance takeovers of Federated and Allied Department Stores continued to plunge yesterday morning, as buyers vanished from the markets despite the ever-lower prices on offer from institutional holders of the distressed bonds.

The sharp falls in bond prices followed recent disclosures of Campeau's cash-flow shortages and a possible technical default on some of Allied's obligations as early as today.

On Wednesday a sell-off throughout the junk bond market was triggered by Campeau's announcement that it might have to cede effective control of its assets to the Reichmann family of Toronto and would probably be unable to meet a deadline for refinancing a $400m bridging loan from its investment bankers.

The distress among junk bond investors was a key factor behind the losses in the equity market on Wednesday afternoon.

By yesterday morning dealers reported that calmer conditions had returned to much of the junk bond market, with quality issues like RJR Nabisco, Duracell and Fort Howard Paper recouping some of the previous day's losses, but the flight from the weakest credits, particularly Campeau issues, was unabated.

With liquidity in Allied and Federated bonds virtually nonexistent, quotations were inevitably subjective, but one leading dealer reported that Allied's $11\frac{1}{2}$ per cent debentures of 1997 were on offer at

Continued on Page 20

BNL Atlanta 'exposed to $3bn of Iraqi loans'

By Alan Friedman in Rome and Victor Mallet in London

MR Guido Carli, Italy's Treasury Minister, said last night that the Rome headquarters of the scandal-ridden Banca Nazionale del Lavoro (BNL) should have been aware of improper Iraqi export lending by the bank's branch in Atlanta, Georgia.

Mr Carli blamed BNL's former management for failing to detect the scandal, stressing the bank's inadequate internal controls. Mr Nerio Nesi and Mr Giacomo Pedde, respectively chairman and director-general of BNL, resigned last week.

In the Treasury Minister's first statement on BNL since the scandal was discovered on August 4, he also revealed that the total Iraqi loan exposure of BNL's Atlanta branch amounts to $3bn.

In testimony before a Senate committee, Mr Carli said a Bank of Italy inspection had shown that the loan exposure consisted of $1.85bn of direct cash exposure to Iraq in the form of unauthorised loans. A total of $706m in outstanding letters of credit are covered by guarantees from the US Commodity Credit Corporation (CCC).

A further $550m of credits has been committed to Iraq but not yet paid out. BNL has until now said its total Iraqi exposure was $2.64bn, of which the unused credits totalled $920m.

Mr Carli said that despite the "falsifications" perpetrated by BNL's Atlanta branch, there were "traces" in the bank's available information that "could not have escaped internal controls" by the bank's Rome headquarters.

Simultaneously, in London, the Iraqi Embassy also said it was was inaccurate to suggest that the Atlanta branch had no authority to conclude "agreements of this nature."

Asked for clarification, an embassy spokesman said BNL's Atlanta branch did in fact have authority from Rome. The embassy went on to suggest that inaccuracies about the role of the Atlanta branch would harm the interests of Iraq as well as both Italian and American companies.

"However, the damage to these companies will certainly be much greater should the Atlanta branch of BNL show reluctance in the procedural implementation of agreements on credits granted by the branch itself to Iraq."

Meanwhile, it became clear that investigators on both sides of the Atlantic are beginning to uncover evidence of an extensive Iraqi network of military procurement agents and supplier companies in both Europe and the US. Some of them appear to have contributed dual use technology and equipment – having both civilian and military applications – that had been sought by Baghdad for the development of a nuclear-capable ballistic missile known as the Condor 2.

Mr Carli also explained the delay in the expected emergency recapitalisation for BNL by IMI, a cash-rich state bank.

The Treasury chief said BNL required around L 1,400bn ($1bn) in order to meet the Italian Central Bank's capital adequacy requirements. He said that instead, INA, a state insurance concern, and INPS, the state pension fund, would together inject a total of L 808bn of fresh capital.

Gatt forecasts 7% growth by volume in world trade this year

By William Dullforce in Geneva

ADVANCES in technology, leading to new ways of doing business, may be creating a particularly favourable environment for world commerce, says the General Agreement on Tariffs and Trade. In its 1988-89 report on international trade, published today, the Gatt predicts a healthy 7 per cent growth by volume in world trade in goods in 1989.

Figures for the first half of the year for the leading trading nations indicate only a modest slowing from last year's strong 8.5 per cent rate of expansion, says the Gatt secretariat.

A lower than expected decline in economic growth in Japan and Western Europe this year is cited as a contributing factor. But, in looking for explanations for the recent unexpectedly high annual growth rates in trade, the Gatt points also to the beneficial effects on the background to business of governmental policies and structural changes prompted by technological innovation.

Last year's expansion, which raised the value of world merchandise trade by 14 per cent to $2,880bn, was marked by a sharp acceleration, from 6 to 10 per cent, in the volume of manufactured goods exported.

Gatt highlights the $850bn in exports of capital goods, representing a 20 per cent increase over 1987. The four biggest traders in capital goods – the US, West Germany, the UK and Japan – experienced strong growth in domestic investment last year. In Japan and the UK, imports of capital goods expanded more than twice as fast as business investment.

On the other hand, however, the Gatt reports only "mixed progress" last year in reducing the imbalances between the trade accounts of the major countries. While 1988 witnessed the first reduction – from $161bn to $127bn – in this decade in the US trade deficit, Japan's trade surplus declined only modestly from $97bn in 1987 to $96bn. West Germany's surplus continued to increase, reaching $78bn, while the UK deficit more than doubled to $37bn. The UK deficit is now twice as large, in dollar terms, as that of any other member country of the Organisation for Economic Co-operation and Development apart from the US.

For the first time the Gatt report analyses international trade in commercial services which, it estimates, reached an export volume of about $560bn last year.

● The industrialised world, the report says, should adopt a generous attitude over exports from developing countries to assist them to overcome indebtedness, to secure growth and to integrate with the world economy.

"What these countries need are commitments that their efforts to develop export industries based on comparative advantage will not fail because of structural rigidities and protection in their principal markets," the report says.

Details, Page 8

MARKETS

STERLING
New York lunchtime: $1.554
London: $1.5575 (1.553)
DM3.07 (3.075)
FFr10.36 (10.37)
SFr2.65 (2.655)
Y228.5 (228.25)
£ Index 91.3 (91.1)

GOLD
New York: Comex Dec $365.1
London: $361¾

N SEA OIL (Argus)
Brent 15-day $17.625 (18)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime: DM1.97645
FFr6.6655
SFr1.7055
Y146.8
London: DM1.989 (1.98)
FFr6.6425 (6.6775)
SFr1.6985 (1.71)
Y228.5 (228.25)
$ Index 72.1 (72.5)
Tokyo close: 145.85

US LUNCHTIME RATES
Fed Funds 8⅞%
3-mo Treasury Bills: yield: 7.81%
Long Bond: 100⅔
yield: 8.11%

STOCK INDICES
FT-SE 100: 2,382.0 (-19.5)
FT Ordinary: 1,966.8 (-14.3)
FT-A All Share: 1,207.22 (-0.7%)
FT-A long gilt yield index high coupon: 9.53 (same)
New York lunchtime: DJ Ind. Av. 2,667.36 (-12.16)
Tokyo: Nikkei 34,261.92 (+114.94)

LONDON MONEY
3-mo interbank close: 13 $\frac{15}{16}$ (same)

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

CONTENTS

Ozal searches for a way out of Turkey's political gloom

Turkish Prime Minister Turgut Ozal (left) is keeping everyone guessing as to whether he will try to become his country's next president. High inflation has had a devastating effect on his popular support. Page 3

EUROPEAN NEWS

Solidarity faces foreign policy test

By Christopher Bobinski in Warsaw

POLAND's new Solidarity-led coalition government faced its first foreign policy test as talks started yesterday with West German officials on a forthcoming visit to Warsaw by Mr Helmut Kohl, the West German Chancellor.

Yesterday's meeting between Mr Horst Teltschik, Mr Kohl's representative, and Mr Mieczyslaw Pszon, an expert on West German affairs newly appointed by Mr Tadeusz Mazowiecki, the Prime Minister, is the latest in a series conducted between Bonn and the previous Communist Government which has sought to unravel a welter of economic and political issues and fix a date for the visit.

The talks have been further complicated by a continuing trickle of East Germans coming into West Germany's Embassy in Warsaw who want to go to the West and are for the moment refusing to leave Embassy grounds.

Mr Kohl who is the only major West European leader not to have visited Poland since the present liberalisation started a year ago, has said he wants to come by the end of the year.

But yesterday the Gazeta Wyborcza, Solidarity's daily newspaper, signalled that the West Germans could not expect the new Polish Government to adopt an overly conciliatory stance in the talks.

"Our foreign policy has to be especially careful even though this might appear to be less spectacular," the paper wrote, arguing that in contrast to Hungary which enjoys good relations with Bonn, Poland has to go more slowly.

Poland's relations with West Germany, the paper says, are still bedevilled by a number of questions. "Above all, we still do not know how the Federal Republic sees relations in future between Poles and Germans, what is its vision of a future Europe and what place Poles occupy in that vision", the paper asks, reflecting widespread fears among Poles at the fact that their country's western frontier was still under question.

The talks so far have already produced agreement on Polish repayment of a DM1bn loan extended in 1975 in local currency which could be spent on joint ventures in Poland, and the West Germans have in principle agreed to renew government guarantees on loans extended to specific projects in Poland.

The Poles for their part have agreed to expand German language teaching in schools and the setting up of a cultural centre in Warsaw, while differences remain on allowing Polish citizens of German origin to organise their own cultural societies.

Last month, a court in Opole refused permission for such a society, which claims 20,000 members, to be set up, provoking protests from the West German Right wing. Mr Krzysztof Skubiszewski, the new Solidarity Foreign Minister, has already criticised that decision and in the past argued for a census to be held which would reveal just how many Germans there still were resident in Poland.

Meanwhile, officials at the West German Embassy in Warsaw refused to comment on the 60 or so East Germans now thought to be inhabiting their building in a leafy Warsaw suburb.

Yesterday several children were seen to be playing in the courtyard, washing dried on washing lines in the garden, while their parents sat on benches awaiting a solution to their demands to be allowed to go to the West.

But the Gazeta Wyborcza hinted yesterday that the Polish Government should not follow the Hungarian lead in giving them free passage to the West and thus risk antagonising East Germany. "The Hungarian stance might arouse our sympathy but as a state we shouldn't copy them or even praise them out loud," the paper wrote.

Fresh assault on drug money laundering

By George Graham in Paris

A TASK force of senior officials from 15 countries will meet in Paris on Monday to launch a new assault on the laundering of money from drugs trafficking.

The force, set up on the initiative of the Group of Seven nations at their summit meeting in Paris in July, is to tackle the problems of bank secrecy and judicial co-operation.

Mr Pierre Bérégovoy, the French Finance Minister, said that the meeting was not just a study group, but should lead to action decisions.

He also launched an unusually forceful attack on the traditions of bank secrecy which have on many occasions prevented police and customs authorities from tracking down the estimated $300bn-a-year traffic.

Besides the G7 countries, the task force will bring together seven other European countries, including Switzerland and Luxembourg, which are viewed as money laundering problem areas, and Australia.

Rakowski sees need to create wide-ranging left-wing party

By Christopher Bobinski

MR Mieczyslaw Rakowski, the leader of Poland's Communist Party, has said that the future of his still 2m-strong political grouping is "open" and that "the party could not return to its old role."

Mr Rakowski said in a short statement broadcast on Polish TV that the party, which now played a minority role in the country's government, "had been weakening for years, even though it had held power".

Now he said that a party of the "Polish Left with a radically wider political base" had to be constructed, hinting that he was ready to go along with those in the party who wanted to change its name and shed its conservative image as well as its conservative wing.

Mr Rakowski defended party policy which through the round table talks with Solidarity in the spring and last June's elections had opened the way for Poland's opposition to create a government. "Our critics don't understand that times have simply changed and that a party which would have conducted any other policy would have withered away or been wiped out if it had had to face violent unrest."

Mr Rakowski also stressed, however, that Solidarity should understand that the country needed a strong left-wing movement to counter "nationalist, conservative and intolerant" trends.

David Buchan adds from Brussels: Western countries outside the European Community were displaying "a lack of political will" in failing to give more aid to Poland, Mr Frans Andriessen, the EC external affairs commissioner, complained yesterday.

He was speaking in Strasbourg after members of the European Parliament had urged the Commission to propose more money for Poland than the Ecu130m (£86m) in emergency food aid which EC farm ministers have already approved.

Mr Andriessen, who is expected to sign a new EC-Polish trade and economic co-operation deal in Warsaw next week, told MEPs that "the Community's own efforts can act as a catalyst for new initiatives by our partners". But he noted with disquiet press reports from Washington that the Bush Administration might give the Poles no more than the $50m food aid it has already pledged.

The next meeting of the 24 Western countries involved in the aid-to-Poland effort, which is being co-ordinated by Brussels, will be held here on September 26. "Without fresh money, our action won't be credible," said Mr Andriessen.

He appeared to suggest that the Commission might propose some fresh money out of the EC's 1990 budget. "I am confident that new resources, to be used for training, the facilitation of joint ventures, the guarantee of loans and similar measures, will have a multiplier effect which far transcends the sums involved," he told MEPs.

Telekom boss rises at record speed

By David Goodhart in Bonn

MR Helmut Ricke, the 52-year-old boss of a medium-sized West German electronics company, has just experienced the fastest elevation in German business history.

Last week he was still running a company called Loewe Opta GmbH, in Kronach, with annual sales of Dm 360m and 1,500 employees. Today, he presides over a business with annual sales of Dm 37bn and 200,000 employees.

As the new executive chairman of Telekom, the telecommunications business of the West German Bundespost, Mr Ricke has accepted a daunting challenge; a challenge which seems to have frightened away many of German business's bigger names, sounded out by Mr Christian Schwarz-Schilling, the Post Minister.

For Mr Ricke is charged with the task of implementing the telecommunications part of the market-based reform of the Bundespost, which came into force on July 1st, without even the incentive of competition on the basic telephone service.

Part of that reform consists in turning the Bundespost's three legs – Telekom, Postdienst (postal service) and Postbank – into corporations rather than administrations. The idea is that this will remove them from direct political control and allow them to take hard-nosed commercial decisions and thus improve customer service.

In the short-term that will mean a bigger, rather than smaller, bureaucracy, as each of the three corporations will have its own management board and supervisory board as well as a "directorate" and "infrastructure council" standing above them all.

The post of Telekom executive chairman will demand an especially super-human combination of skills as the new corporation must cut its costs and improve services while creating itself from the remnants of a Government department.

The success of the Bundespost reform may also depend on Mr Ricke's ability to respond to Telekom's new competition in the fast-growth areas of data and mobile communications, without crushing it through cross-subsidy from its monopoly voice service, something the Post Minister is meant to stop.

UK still considering joint missile project with France

By David White, Defence Correspondent

BRITAIN is still considering a joint project with France to develop an air-launched nuclear missile, Mr Tom King, UK Defence Secretary, said yesterday.

This contradicted earlier indications from both British and French officials that the UK had ruled out the French option for replacing the Royal Air Force's free-fall bombs and would choose a a US-developed weapon instead.

An Anglo-French venture would be a breakthrough in defence collaboration between the two Western European nuclear powers.

Britain and the US have already signed a memorandum of understanding to facilitate work on a stand-off missile with a British nuclear warhead. This would be based either on Boeing's SRAM-2 missile or Martin Marietta's SLAT programme.

The current French stand-off Medium-Range Air-to-Surface (ASMP) missile, deployed on Mirage IV, Super-Etendard and Mirage 2000 aircraft, falls short of the 400 km range sought by the RAF. Britain does not have an air-launched nuclear weapon.

All three countries held talks last year on possible co-operation.

In a joint press conference yesterday with Mr Jean-Pierre Chevènement, the French Defence Minister, Mr King insisted that the French ASMP was being looked at "very seriously" alongside the US alternatives.

Defence officials have so far considered it unlikely that an Anglo-French missile satisfying British requirements could be produced in time to replace the WE-177 bomb, which was developed in the early 1960s. The bombs will reach the end of their useful life during the next decade, both because of their age and because of improvements in Soviet air defences, which will make it harder for strike aircraft such as the Tornado to penetrate to their targets.

Paris to put pressure on Bonn over trade surplus

By William Dawkins in Paris

THE Paris Government yesterday said it would put pressure on West Germany to take further action to curb its trade surplus at the next annual meeting of the International Monetary Fund at the end of the month.

Mr Pierre Bérégovoy, French Finance and Economy Minister, said that economic stability was being threatened by a slowdown in the reduction of Bonn's trade surplus, which he highlighted among other economic imbalances.

For the same reason, Mr Bérégovoy would be pressing his fellow Finance Ministers from the Group of Seven nations at the meeting in Washington for joint measures to help improve the US trade deficit.

France took a lead at the last IMF annual meeting in pressing for firm plans to strengthen the international monetary system in time for the July's Economic Summit.

Mr Bérégovoy's remarks follow the IMF's annual report, urging the main industrialised countries to intensify economic co-ordination.

Peugeot dispute spreads

By William Dawkins in Paris

THE 10-day-long wage dispute at Peugeot, the French car maker, yesterday took hold at a second factory, threatening production of tha 605, the group'e recently unveiled top-of-the-range model.

The management said 900 of the 24,000 staff at Peugeot's largest plant in Sochaux, north-east France, yesterday went on strike, causing the loss of roughly 40 per cent of the normal daily outpnt of 1,820 vehicles. This is the most serious conflict at Peugeot for five years and comes at a time when such industrial unrest as there has been in France has been mainly in the public sector.

During the morning 2,000 staff demonstrated at the Sochaux factory and called for the support of colleagues throughout the PSA group, which inclnde Citroen as well as Peugeot.

The dispute began at a nearby plant at Mulhouse, the main prodnction centre for Peugeot's 205.

Unions are demanding a monthly wage rise of betweeu FFr500 (£48) and FFr 1,500, which management claims is worth up to 30 per cent. This compares with the total of 3.75 per cent, including a recent rise of 1.5 per cent.

Brussels set to finalise Japanese car import plan

By Kevin Done

THE European Commission is expected to finalise next month its proposals for scrapping bilateral controls on Japanese car imports to the European Community from the end of 1992 in line with the creation of the single European market.

The Commission proposals are expected to rule out the introduction of any overall EC quota to replace the present bilateral restrictions

It is likely to seek to negotiate an agreement with Japan, however, under which Japanese car makers would agree to exercise a restraint on car exports to the EC for a limited period, with particular attention being paid to sensitive countries such as Italy and France, where Japanese cars are currently limited to market shares of only 1 and 3 per cent respectively, compared with an overall Japanese share in West Europe of around 11 per cent.

Mr Hugo Paemen, deputy director general for external relations at the Commission, said yesterday that there was no doubt that simply phasing out the present national restrictions by the end of 1992 "would abruptly open those markets which have been protected for decades and would he a severe shock for Community industry."

Not all 'current players' will survive global transformation

'Massive transition' for car makers

By Kevin Done, Motor Industry Correspondent, in Frankfurt

THE automotive industry is in the midst of a "massive and turbulent transition" as it is transformed from being an essentially national to a global industry, Mr Paul Anderson, head of the automotive practice at Booz-Allen & Hamilton, the US consultants, said yesterday.

He warned that several "current recognised players" in the industry would not survive the upheaval.

He told the Financial Times World Motor Conference the gap between current world class standards and average performance was still huge, and the target was a moving one. Consumer behaviour had changed radically and had become much more sophisticated. "Wa are seeing the emergence of consumer segments with similar characteristics across national and continental boundaries."

At the same time the role and use of technology was changing with the rapid dissemination and application of new technologies on a global scale. The ability of manufacturers to control access to technology would be severely limited. The response times available to vehicle makers were also being dramatically shortened by the globalisation of the industry.

Shifts in consumer demand, new technologies, legislative requirements - such as recent EC action on emissions - and currency movements were all adding to pressures as well the major driving force to cut new model development times and model life cycles.

Importantly, "universal performance standards" would be applied to the global auto industry, not only in terms of product quality and performance but also in terms of organisations. "World class performance levels will evolove globally from an engineering group in Stuttgart, a manufacturing plant in Yokohama, or a group of consumers in California . . . There will be no local options and no place to hide."

Mr Anderson said Japan was the only region where effective relationships had been forged between vehicle makers and their components suppliers.

Mr Mark McCabe, executive in charge of General Motors' Automotive Components Group in Europe, said components suppliers would be expected to assume broad additional responsiblities for entire vehicle sub-systems in the next decade and would be expected to compete openly for business in a totally global market.

There would be a declining number of suppliers employed by any given vehicle manufacturer. The components industry would evolve from supplying parts to supplying systems.

Mr McCabe said there was an adequate amount of essential component manufacturing capacity in the world. The significant changes in the coming decade would be the aggressive infusion of new technology to meet the rising demands of the consumer, and changes of ownership leading to a much greater concentration in the automotive components sector.

"The multitude of small and independent suppliers will not necessarily have the resources needed to modernise their facilities and to accommodate the growing demand for customer and product technical support."

FT CONFERENCE
WORLD MOTOR INDUSTRY

The changes of ownership would most likely take the form of mergers or acquisitions. The GM components group had sales of $30bn last year and employed 230,000 people worldwide with 12 per cent of production going to vehicle manufacturers competing with GM in world markets.

Mr McCabe said in the last decade GM had disposed of operations with an annual turnover of $700m because they were making losses or were uncompetitive. A further $300m remained to be sold off or closed down. About $100m worth of loss-making operations had been retained because of their strategic importance, and GM was seeking to make them competitive.

GM analysis showed that about 60 per cent of its components products were now competitive world-wide, 4 per cent to 5 per cent remained to he sold off and GM was working to bring the remaining 35 per cent of the business np to world class.

Mr. Alessandro Barheris, chief executive of Magneti Marelli, the components subsidiary of Fiat of Italy, said non-European components euppliers would seek to take advantage of the new opportunitiee offered by the creation of the single European market after 1992.

The so-called transplant assembly operations heing established by Japanese vehicla makars in Europe would he supported by the Japanese groupe' traditional domestic components suppliers. He called on the European Commission to be aware of the danger of over-capacity and to monitor the local content of both vehicles and components.

Electronics was the driving force in automotive technology, he said. Magneti Marelli yesterday announced an agreement with Motorola of the US to jointly develop and produce electronic control modules for petrol engine injection systems.

Mr Peter Stief-Tauch, head of the Commission's Unit for Air Pollution Control, said EC member states were still in disagreement about the pace at which vehicle exhaust emission standards should be tightened, and about which priority should be given to the differentt pollutants and nuisances produced by motor vehicles.

He said the Commision was aware that care should be taken to give industry a chance to find the best and most efficient technologies with sufficient lead time to introduce the technologies.

The EC's environmental policy had been given a new impetus hy the Single European Act. The Commission planned to submit to the Council of Ministers by the end of the year new regulations which would bring exhaust emission limits for medium and large cars (engines from 1.4 to 2.0 litre and above 2.0 litre capacities) into line with recent much tougher rules agreed for small cars under 1.4 litres.

The Commission was also planning to introduce a new European test cycle for emissions to include motorway as well as urban driving conditions.

Mr Stief-Tauch said that rules for heavy commercial vehicles had to be tightened with a second step of limitations for gaseous emissions and the introduction of limit values for diesel particulates (soot). A reduction of the particulate emissions limits for diesel cabs would also be submitted by spring next year.

Several conference speakers have underlined the growing environmental pressures facing the world motor industry. Mr Stief-Tauch said the Commission was paying specific attention to the greenhouse effect and the role played by carbon dioxide.

Measures were being examined to reduce carbon dioxide emissions such as lower fuel consumption, epeed limits, alternative fuels and propulsion as well as better traffic management and road systems.

He said diesel engines had important advantages compared with petrol engines in terms of lower fuel consumption and therefore lower carbon dioxode emissions, as well as much lower emissions of carbon monoxide and hydrocarbons and somewhat lower emissions of oxides of nitrogen.

Diesel engines were a possible route for reducing the gaseous emissions creating the greenhouse effect.

Mr Stief-Tauch said research findinge about the carcinogenic potential of soot particulates in diesel exhaust were still controversial.

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E Germany and Hungary fail to resolve dispute

By Judy Dempsey in Budapest

RELATIONS between Hungary and East Germany are likely to deteriorate further following an unrepetent letter sent by the Hungarian Government to East Berlin.

In the letter, which confirms a continuing shift towards to a more pro-western policy, Hungary appears to be placing international agreements above its bi-lateral relations with East Germany.

It also rejects arguments made earlier this week by East Berlin that it interfered in the internal affairs of East Germany by allowing 13,000 East Germans to travel unhindered out of Hungary to the West.

The closely argued three-page letter said that Hungary in fact had not breached a bilateral agreement signed between East Berlin and Budapest in 1969.

That committed each state to return any citizens caught trying to escape illegally to the West.

Instead, the Hungarian Government, and more specifically the foreign ministry, who was behind the decision to allow tha East Germans to leave, said it remained bound to its international obligations.

In particular, the letter recalled that Hungary - and East Germany - signed a major document at the Vienna Conference on Security and Cooperation in Europe.

This far-reaching human rights document, which was signed (with the exception of Albania) by all the countries of Eastern and Western Europe, the United States, Canada and tha Soviet Union, stipulated that people should be free to travel and leave their country.

By placing the emphasis on this international agreement, Hungary in effect has bypassed the bi-lateral agreement with East Berlin.

During the negotiations in Vienna, both Romania and East Germany persistently tried to block freer travel and emigration in contrast to the Poles and Hungarians who were the most ardent supporters for freer movement across borders.

But yesterday, Hungarian foreign ministry officials admitted that the problem between Budapest and East Berlin was far from over. "The rules of the game have now changed" one senior official commented.

The letter implied that: But it concluded that it was now to the two Germanies to sort out the delicate issue of emigration.

Leslie Colitt, in Berlin, adds: Earlier yesterday, East Germany and Hungary failed during talks in East Berlin to resolve the dispute over Hungary opening its border to the West, according to a Hungarian diplomat.

The talks took place before Hungary made its formal reply to East Germany.

Ms Maria Ormos, a member of the Hungarian Politburo and a university rector in Pecs, had talks with Mr Kurt Hager, East Germany's ideological chief, and Mr Otto Reinhold, head of the Central Committee's Academy of Social Sciences.

Ms Ormos said Hungary could not be held responsible for the exodus of East Germans across its territory. It was a matter only the two Germanys could solve. Mr Hager blasted West Germany but avoided repeating recent East German accusations against Hungary.

The East German party newspaper Neues Deutschland published a report next to Mr Hager's remarks which noted that Hungary had been given a DM500m ($258m) loan by West Germany, half of which would be guaranteed by the Bonn Government.

Hungarian diplomats said this was a new version of the previous East German charge that Hungary had received a "piece of silver" and a bonus for every East German allowed to flee to West Germany. Mr Gyula Horn, the Hungarian Foreign Minister, angrily rejected the claim earlier this week, saying that it probably "stemmed from their own practice."

Mr Yegor Ligachev, the Soviet Politburo member visiting East Germany, held further talks with East German Politburo members, but had still not met Mr Erich Honecker, the ailing 77-year-old East German leader whose absence has paralysed the Politburo.

According to Mr Günter Mittag, the Politburo member who has assumed some of Mr Honecker's functions and who visited him in hospital, Mr Honecker was "doing well" and would resume his duties shortly.

Mr Ligachev, a conservative rival of Mr Mikhail Gorbachev, emphasised in his remarks published in Neues Deutschland that East Germany would remain "our reliable ally" and that Moscow and Berlin were engaged in a "constant dialogue."

The Soviet visitor has been touring East German collective farms in his capacity as Central Committee Secretary responsible for agriculture.

His East German counterpart, Mr Werner Krolikowski, told Mr Ligachev that the "overwhelming majority" of East Germans had rallied in "even more closely in these days" around the party, its Central Committee and Mr Honecker.

Bonn to ease truck access following refugee releases

By David Marsh in Bonn

THE Bonn Government next year is to ease access for Hungarian lorries crossing into the Federal Republic, in the first concrete sign of economic concessions to Budapest after this week's East German refugee releases.

The Bonn Transport Ministry last night confirmed that Budapest would be allowed to send 15,000 lorries a year into West Germany from January 1, up from 9,000.

It said that the agreement by Mr Friedrich Zimmermann, the Transport Minister, was not directly linked to Budapest's action on Sunday night to allow out to the West more than 10,000 East Germans camped out in Hungary. But he made clear that it was more than a coincidence. In reference to the Hungarian move, the spokesman said that it was "clear" that Bonn could co-operate more closely with governments with which it had good relations.

Mr Zimmermann, according to the daily newspaper Die Welt, has justified the transport easing action by assuring Budapest of "support from the free part of Germany. We will not bar ourselves off to those who help us in an emergency," Mr Zimmermann declared.

Yesterday's decision, which has been long sought for by Budapest, adds up to an important easing of transport links with Hungary on West Germany's tightly regulated trucking market.

The West German step may be seized upon by East Germany - which has accused Budapest and Bonn of carrying out "trade in people" in the refugee drama - as a sign of the important economic factors behind the deal.

However, East Berlin's room for criticism is severely constrained. For more than a quarter of a century, it has regularly released to the Federal Republic political prisoners in goods-for-internee barter deals whose cumulativa monetary value tops DM1bn.

West German politicians this week have multiplied expressions of thanks to Hungary for its decision to allow the fugitives to leave, and have promised support for economic reforms in Budapest. Around 13,000 East Germans have crossed into Bavaria through the open Austro-Hungarian border so far this week, adding to the roughly 60,000 East Germans who have already crossed legally into the Federal Republic so far this year.

Mr Heiner Geissler, former secretary general of the ruling Christian Democrat party, confirmed yesterday he would nominate Hungary for this year's Nobel peace prize.

Mr Helmut Kohl, the Chancellor, meanwhile told the weekly cabinet meeting yesterday that the Budapest Government's gesture not only helped the East Germans, but also underlined the seriousness of its own reform effort.

East German unions seen as reforming

By David Goodhart in Bonn

SENIOR officials in the West German trade union centre, the DGB, claim to have located an emergent reform movement inside the official, party-controlled trade unions in East Germany.

One official said that the East German trade unions would never turn into a force akin to "Solidarity" in Poland but if the economic situation deteriorated sharply they could become an important centre of official political criticism.

The DGB has long enjoyed relatively close relations with its opposite number in East Germany, the FDGB, and today Mr Harry Tisch, a senior East German trade union official and conservative member of the Politburo, ends a four-day visit to West Germany organised by the DGB.

Mr Ernst Breit, the DGB leader, said yesterday that the East German body was not as unconcerned as it seemed about the current exit of young people and was in the middle of a reassessment of its role.

Nevertheless, the optimistic view of reform possibilities inside the East German unions is not yet supported by most other analysts. One described the DGB view as "wishful thinking."

Ozal looks for way out of political gloom

Economic worries are clouding Turkey's outlook, writes Jim Bodgener in Ankara

WITH only two months to go before Turkey's Parliament votes on a new state president, economic problems and the waning popularity of Mr Turgut Ozal, the Prime Minister, are clouding the political outlook.

Mr Ozal is keeping everyone guessing on whether he will move to secure his political future – and to sidestep opposition pressure for an early general election – by trying to succeed President Kenan Evren himself.

What is clear is that despite – or perhaps because of – this summer's public sector wage rises, high inflation has had a devastating effect on his popular support.

Opinion polls give his Motherland Party (Anap) only about 15 per cent of the national vote. If there were an election now, the main opposition Social Democratic Populist Party (SHP) would sail home, followed by the third largest parliamentary grouping, the right-wing True Path Party, with Anap bringing up the rear, according to surveys.

The "central pillar" or silent majority whose support Mr Ozal has long claimed appears to have deserted him, and he has lost the backing of important interest groups which once identified with Anap's conservative but pro-development rhetoric.

Turgut Ozal: high inflation has hit popular support

On the one hand he has been lambasted by the Turkish Businessmen's and Industrialists' Association; on the other, farmers took to the streets last week to protest about prices lagging behind input costs.

The government's failure to control high inflation – retail prices were up 74.7 per cent in the year to the end of July – is the cause of this dissatisfaction.

Critics allege that instead of launching a consistent attack on inflation, the Government has resorted to erratic, stop-gap economic measures whose main aim is to stem political decline – such as this summer's wage rises for civil servants and workers, which stoked the money supply.

Banking and business circles in Istanbul complain of developing "stagflation", borne out by recent estimates from the State Institute of Statistics.

Judging by trends in the first half of the year, industrial output is expected to grow only by 1.2 per cent this year, and mainly because of drought, agricultural output looks set to contract by 10 per cent.

On the external front, the record current account surplus of $1.5bn in 1988 has withered away, and there was a slight deficit of $48m in the first six months of this year.

Officials counter that errors and omissions, once finalised, may reverse the picture. However, exports – whose performance was once considered the showpiece of Mr Ozal's economic record – are flagging.

They slipped to $5.4bn in the first half of 1989 – a drop of 2 per cent on the equivalent 1988 period – while over the same period imports fell by a similar amount to $7.27bn, reflecting sluggish economic activity.

Sweeping revisions of the tariff regime in August, ostensibly to aid industry by making raw materials cheaper, aroused a storm of protest from previously protected import substitution sectors such as white goods and automobiles.

Once again, according to the critics, the measures amounted to disguised blandishments to consumers. A sop to industry is coming soon in the form of anti-dumping regulations effective as of October 1.

Manufacturers and bankers are dubious, too, about a package introduced early last month which officials claim has made the lira 80 per cent convertible.

Paradoxically, although Turks may now freely purchase up to $3,000 from banks, there has been no rush into foreign exchange. Lira depreciation rates – at 23.6 per cent for the US dollar and 10.3 per cent for the D-Mark in the year to end-August – have been kept well below inflation.

There is a foreign currency surplus, demand for import financing is down, and strong central bank reserves are a further deterrent against wayward speculation.

The export lobby is grumbling that the Turkish currency is overvalued.

One of the few positive indicators is that greater freedom for cross-border capital movements has reinforced the bull market on the Istanbul stock exchange, where the share in daily turnover of foreign funds recently increased from 15 to 20 per cent.

However, the political fallout from Mr Ozal's economic problems clearly manifested itself this week when parliament voted for a new speaker.

The Prime Minister's choice, Mr Yildirim Akbulut, was finally re-elected for a third one-year term, but only on the third round, and with the support of only 250 of Anap's 289 parliamentary deputies.

On the basis of that result, the premier would scrape home in the presidential elections. But his political options are narrowing.

To avoid embarrassment and buy time for a possible political comeback in 1990, Mr Ozal may choose not to bid for the presidency now and to settle on a candidate from within parliament – an Anap deputy, if possible – who was acceptable to all parties.

China cancels pledge to accept consensus on democracy

Hard-line leadership presses for slow and limited introduction of elected MPs in Hong Kong. **John Elliott** reports

IN A reversal of previous policy which has shocked Hong Kong's senior political and business leaders, Peking has let it be known privately that it has cancelled its earlier pledge to accept a consensus on the speed of democratic development in the colony's proposed Basic Law.

Now China is trying to encourage an extremely slow and limited introduction of democracy before and after Hong Kong reverts to its sovereignty in 1997. Generally, it is adopting such a tough line that some local leaders fear that it may be prepared to sacrifice some of the colony's short-term economic buoyancy in the interests of curbing political activity.

This follows the recent upheaval in China which has led to a sudden hardening of Peking's attitude to Hong Kong. During the Tiananmen Square crisis, Hong Kong's previously apolitical population took to the streets to back the students and also organised financial and other support.

In the eyes of Peking's surprised and shocked hardliners, this has branded Hong Kong as a potential centre for political subversion which cannot therefore be trusted with the luxury of significant political development, either before or after the 1997 handover.

This has led to a stream of recent public statements by Peking officials condemning a consensus for faster democratisation developed by Hong Kong's legislators – members of the colony's executive and legislative councils.

This week in an interview, a senior Chinese government official went further and made it clear that any pro-democracy consensus would be rejected. "We are no longer looking for a consensus. We are now looking for what is good for the future of Hong Kong and that means respecting the views on those on whom Hong Kong's future prosperity depends," he said. He explained that Peking could no longer accept a Hong Kong consensus because the ground had shifted too far since June 4 in favour of faster democracy.

Now a rival slow-development plan favoured by Peking has been produced by Mr T.S. Lo, an Anglo-Chinese lawyer who has courted China's leaders for several years. He is widely believed (though he denies it) to be acting on Peking's behalf through a political organisation he formed earlier this year called the New Hong Kong Alliance.

These developments have come at a sensitive time because the Basic Law is to be finalised in the next few months. But there is no longer any general mood in Hong Kong of open defiance against Peking. People are primarily interested in their traditional money-making pursuits and realise that they must lose the stigma of their home becoming a counter-revolutionary centre bent on overthrowing Peking communism.

"We must try to work, in a co-operative way if possible, to make sure that Hong Kong people run Hong Kong as they want to run it, in line with Peking's original concept of 'one country, two systems'," says Mr Allen Lee, senior member of the Legislative Council.

Mr Lee and many other local leaders fear that Mr Lo's plan is designed to stop that happening. It involves a self-perpetuating two-tier or bicameral system, with a semi-directly elected upper house based on functional or occupational constituencies that would have a right of veto over the lower semi-democratic house. Both Peking officials and Mr Lo say this puts power in the hands of those who have a major role in Hong Kong's prosperity – by which they mean conservative, potentially pro-Peking businessmen.

The existing much-criticised Peking draft of the Basic Law, published in February, provides for only slow moves with 27 per cent of the legislature being directly elected for the 1995-1997 changeover period and 50 per cent in 2003. Any subsequent change would depend on a 2011 referendum. Even some Peking officials recognised that was too restrictive.

Following the June 4 events, Hong Kong legislators have a consensus rising from 50 per cent in 1995-97 to 100 per cent in 2003. This, and even faster plans proposed by liberal lobbyists and by the British House of Commons foreign affairs committee, are unacceptable to Peking which is widely believed now to be favouring either the Lo plan or the much criticised existing draft. A slightly slower consensus plan for 40 per cent in 1995, which could make it harder for Peking to stick to this line, is being considered by the influential businessmen's Group of 89.

The debate is causing problems for the UK and Hong Kong Governments which have to decide how far to amend existing plans to start direct elections with only 18 per cent of elected MPs in 1991. The legislators' consensus wants this raised to 33⅓ per cent and this will be urged on Mr Francis Maude, the British Foreign Office junior minister responsible for Hong Kong, who visits the colony on Sunday.

Peking will be furious if the UK announces a higher figure than the Basic Law eventually plans for 1995-97, and Hong Kong's stability could be upset by the ensuing row. The UK and Hong Kong Governments do not want to upset the stability, which the population treasures; but they also do not want to be accused (as they have been in the past) of bowing to Peking. That policy conundrum has yet to be tackled.

Other issues where there are potential clashes looming include direct elections for the colony's post-1997 chief executive, and other areas of the Basic Law concerned with aspects of Hong Kong's autonomy.

Suggestions from the UK and Hong Kong Governments that Peking should forgo or limit its right to station People's Liberation Army troops in the territory have infuriated Peking which says its sovereign rights are being questioned.

Behind all the rows is Peking's annoyance that the June 4 episode has marked the end of earlier quiet diplomacy when the UK and Hong Kong tried to influence the Basic Law and other developments behind closed doors. Tough talking is expected when the Sino-British Joint Liaison Group on the 1997 hand-over holds its first post-June 4 meeting in London at the end of this month.

UNIVERSAL FRANCHISE* PROPOSALS FOR LEGISLATURE

Election date	1991	1995-7	1999	2003-2007
Original British plan	18%			
Basic law current draft		27%	38%	50%
Legislators' consensus	33⅓%	50%	66⅔%	100%
UK Foreign Affairs Cttee.	50%	100%	100%	100%
"Liberal" lobbyists	50%	100%	100%	100%
T.S.Lo's alliance plan		25%	25%	

* Figures are percentages of the Legislature seats which would be elected by full universal franchise. The remainder of the seats are for various mixes of indirect or sectional electors, plus appointed members and civil servants.

Peking accuses dismissed Hainan governor of corruption

CHINA yesterday accused the sacked governor of the southern island province of Hainan of corruption, alleging he procured illicit benefits for himself, his wife and his son.

In its main evening news bulletin, state radio said the State Council (cabinet) and the Communist Party leadership had dismissed Liang Xiang as governor for "serious misuse of power for personal gain".

Liang is the most senior official to be dismissed since the crushing of student-led pro-democracy protests in Peking on June 4 and the subsequent purge of officials accused of corruption.

He was also stripped of his post as deputy party secretary of Hainan and an investigation, started in mid-July into his case was continuing, the radio stated.

It claimed Liang had encouraged his wife and son to become involved in illegal sales of property, with his wife reserving at no cost two buildings in Haikou, the provincial capital, and his son selling apartments in them.

Liang also illegally approved the import of vehicles, while his son extorted money using his father's name, the radio alleged. He illegally allowed another son "to leave the mainland and settle in Hong Kong", and used public money to buy clothes and for personal banquets.

"A veteran comrade, Liang joined the revolution in 1935 and did important work, but during the new period of reform and the Open Door (economic policy), he lost the glorious tradition of simple living and ruined the party's reputation among the people."

The radio announced that the Hainan provincial people's congress had elected Liu Jianfeng, 58, to replace Liang. He was one of three deputy secretaries of the party in the province.

Liang was Hainan's first governor. The island was made a province in September 1987 after being part of Guangdong Province.

S African police hold UDF man as de Klerk sworn in

By Michael Holman, Africa Editor

SOUTH AFRICAN police have detained a leading anti-apartheid campaigner who was a member of a South African delegation which met President Bush and Mrs Margaret Thatcher in July this year.

Colleagues of Mr Titus Mafolo, acting general secretary of the United Democratic Front (UDF), a coalition of trade union, church and student organisations closely allied with the African National Congress (ANC), say that he was arrested in Johannesburg on Wednesday.

He is the second member of the delegation to be held. Mr Curnick Ndlovu, also on the UDF executive, was arrested a week ago.

The UDF have asked the US and British Governments to raise the detentions with Mr F.W. de Klerk, who became South African president-elect yesterday.

Western diplomats expressed concern about the discrepancy between the arrests, and Mr de Klerk's promises during the recent election campaign, which he repeated yesterday.

Mr de Klerk, chosen unanimously by an electoral college which met in Cape Town, said after the decision: "We are going to reach as soon as possible the stage where all South Africa will, in a just and equitable manner, become part of all the decision-making processes in South Africa."

The involvement of black South Africans in central government was central to the National Party's election platform, but Mr de Klerk has yet to spell out how this will be done.

Mr de Klerk, expected to make a keynote acceptance speech next Wednesday when he is sworn in as President, said yesterday: "I have no illusions about the great responsibility attached to this position. Our country is going through one of the most decisive phases in its history."

He continued: "What happens in the next five years will be decisive for many decades to come."

Mr F.W. de Klerk being congratulated by his wife Marika

The July meeting between Mrs Thatcher and the UDF delegation, led by Mrs Albertina Sisulu, co-president of the organisation, was the British prime minister's first contact with the movement which has been at the forefront of anti-apartheid protests since its inception in 1983.

The meeting was in part a continuation of Mrs Thatcher's talks with a cross-section of South African politicians, which have included Mr de Klerk. But it was also seen a signal to Pretoria that proposed negotiations with black leaders must include the UDF.

● A mixed-race police officer who has accused the riot squad of brutality in his neighbourhood peacefully dispersed a demonstration in his honor yesterday, AP reports from Mitchell's Plain.

Lt Gregory Rockman has become a folk haro among township youths near Cape Town since he accused white riot squad officers of causing violence by beating protesters, bystanders and shoppers during an anti-election demonstration on September 5 in Mitchell's Plain.

Hundreds of students gathered at the shopping centre, carrying placards in praise of Lt Rockman. After about an hour he appeared on a balcony above a furniture shop and asked the students to disperse.

Australian PM accused over pilots

By Chris Sherwell in Sydney

AUSTRALIAN opposition leaders yesterday accused Mr Bob Hawke, the Prime Minister, of erratic behaviour and a loss of self-control with his "no surrender" stand against the country's domestic pilots, whose pay dispute has grounded internal flights for three weeks.

Leading figures in the Liberal and National parties scorned Mr Hawke's pronouncements on Wednesday, in which he accused the pilots of being "greedy and destructive", said the country faced a national emergency, and vowed not to give in.

Opposition leaders want reform of the country's centralised system of pay-fixing, which the pilots are challenging and Mr Hawke has made a cornerstone of his government.

They said Mr Hawke's handling of the affair set extraordinary precedents for future disputee and it was time for "cooler and wiser heads to prevail" through negotiation.

Mr Hawke yesterday persisted with his tough line, and predicted the dispute would be resolved "before this month is out".

He was backed by Sir Peter Abeles, head of Ansett Airlines, one of the two Australian carriers, who claimed last night to have signed up over 50 members of the pilots' federation on individual contracts.

The federation said yesterday that the carriers' efforts to rebuild their airlines with management pilots and foreign recruits would not replace the expertise and professionalism of the pilots who had resigned.

Representatives of tourist-related industries met Mr Hawke to plead their case for help in the wake of the government's decision to waive landing and other charges to help the airlines pay the wages of staff who would otherwise be stood down. Some 15,000 workers in the tourist industry are said to have been stood down already, and lost revenues are put at hundreds of millions of dollars.

Japan's chipmakers abandon plans to lift memory output

By Stefan Wagstyl in Tokyo

JAPANESE semiconductor makers are abandoning plans to increase output of 1 Mbit D-Ram chips, the leading range of memory devices, in response to falling demand and increased international competition.

Leading companies want to avoid a repeat of the collapse in the market for mass-production memory chips which occurred during the last decline in demand from the electronics industry in 1984-85.

But there are serious doubts whether moves made so far will be enough to stem a sharp decline in prices for the 1 Mbit D-Ram, which was still in acutely short supply as late as the beginning of this year. Some companies are expected to have to cut output to reduce swollen stocks in the near future.

In the Tokyo spot market, the price for a 1M chip has fallen from a peak of Y2,150 early this year to Y1,800, according to a survey by the Nikkei Shimbun, Japan's leading business nawspaper. For bulk orders, prices are much lower. NEC, a leading manufacturer, last week cut its export prices by about 20 per cent to Y1,300-Y1,400.

With *estimated manufacturing* costs at about Y650-Y750, chipmaking is still profitable, especially for Toshiba, the leading producer which pioneered 1M mass-production in 1987-88.

Mr Steve Myers, an analyst at Jardine Fleming, the securities company, believes selling prices could fall towards these levels, forcing manufacturers to cut costs, perhaps to around Y400 a chip.

The Bank of the Japan is concerned about the possible impact of the weak yen on domestic wholesale prices, Reuter reports. If the yen remains weak, Japan's domestic wholesale prices could rise further in September.

The main reason for the fall in prices this year has been the rapid increase in output achieved as manufacturers led by Toshiba successively overcame the formidable difficulties involved in mass-producing the delicate 1 Mbit D-Ram.

Japanese output rose 48 per cent from 124m chips in the second half of last year to 184m in the first six months of 1989. In the six months to the end of this year, the Japanese Ministry of International Trade and Industry expects output to hit 247m, which will probably be a peak.

Simultaneously, overseas demand has weakened, especially in the US. Japanese demand has remained strong with industry continuing to *invest heavily in factory and* office automation. But the US accounts for some 40 per cent of worldwide demand.

Japanese companies – including Toshiba, Hitachi, NEC, Mitsubishi Electric and Fujitsu – account for more than 90 per cent of the 1 Mbit D-Ram chips made for sale on the world open market (other chips are made by companies for in-house use).

But their market share is expected to come under attack from South Korean companies, which are gearing up for mass-production over the next few months.

The determination of leading South Korean producers, including Samsung and Hyundai, to export high-technology products could easily undermine Japanese companies' attempts to tailor production to demand.

In any case, the Japanese producers' moves are modest enough. Toshiba said yesterday it would maintain output at 9m 1 Mbit D-Ram chips a month, against a planned increase to 10m. Hitachi said it was dropping a plan to increase from 4m to 5m a month, and NEC said it would stay at 6m instead of raising output to 8m.

Mr Myers said these measures would not be enough to stabilise prices. But Mr Bill Wilder, head of research at Schroder Securities, said chip makers were being much more careful than in tha previous down-turn in the market.

The chipmakers accept that prices will fall further. Their *hope is to avoid a precipitate* fall over the next 12 months or so – as they prepare for mass-production of the next generation chip – the 4 Mbit D-Ram. Leading makers are producing test batches now. Toshiba and NEC intend to start making 1m chips a month by next April, and Hitachi by the summer.

Move to revive Lebanon peace bid

THE Lebanese conflict moved from battlefield to conference table yesterday, six months after Maj-Gen Michel Aoun, the Christian army chief, launched an unsuccessful bid to expel Syrian forces, Reuter reports from Beirut.

Foreign ministers of Algeria, Morocco and Saudi Arabia held talks in the Red Sea port of Jeddah to decide whether to revive an Arab League search for peace. The heads of state of the three countries are to announce the outcome of the talks today.

Only sporadic clashes on the Green Line battle zone running between East Beirut and the Moslem west marred the mood of optimism as Lebanese awaited news from Jeddah.

Officials expected the Arab mediators to revive their stalled peace efforts after signs that Gen Aoun and his Syrian opponents and their allies were willing to accept a face-saving deal. It would call for a ceasefire, the opening of roads across Beirut, and the end of a Syrian sea blockade.

NZ call to privatise electricity 'totally'

By Suzanne Smith in Wellington

FULL privatisation of electricity is recommended in a New Zealand government task force report, together with radical changes to the generation, transmission and distribution of the country's electricity.

The Government has accepted many of the proposals but is still considering whether and how to privatise power generation fully. This is a contentious issue in a general election year.

In contrast to Britain and the US, the report favours an unusually "light-handed" approach to the industry's regulation. This could consist of little more than the existing constraints of anti-trust legislation and new disclosure requirements for more transparent pricing, including mandatory separate pricing of distribution and transmission costs.

The task force argues that existing competition, the threat of new competition, anti-trust law, the threat of using the price control powers of the Anti-Trust Act, and transparent pricing obviates the need for specialist regulatory agencies and price control.

Around 95 per cent of New Zealand's electricity generation capacity and the transmission network is in the hands of the state-owned Electricity Corporation of New Zealand (ECNZ).

ECNZ was formed in 1987 to manage electricity and transmission assets originally held by New Zealand's Ministry of Energy. The assets were transferred to the new corporation at a valuation of NZ$6.5bn (£2.5bn).

The transmission network has since been separated into a subsidiary company called Trans Power. The retail distribution network is owned and operated by elected local supply authorities.

In its response, the Government has deferred a decision on privatisation, but has agreed to some of the recommendations which take it in that direction. It has approved the "light-handed" regulatory route to policing the potential for abuse of market dominance.

The Government wants more evaluation of the possibilities of splitting up generation to provide more competition.

The task force looked at the idea of splitting generation into four or five companies – the minimum number it was thought would be required to create reasonable competition – but the option was rejected.

The break-up would have led to real co-ordination problems among the predominant hydro and the lesser number of thermal stations.

The very different cost structures between the hydro- and thermal stations made an "equal" break-up difficult. It was also felt that policing "collusion" would be as difficult as policing the monoply.

Mr David Butcher, the Minister of Energy, is still concerned about the market dominance of ECNZ. This concern underwrites his hesitancy about selling the whole off as one unit.

It is understood half-way options are being considered. One option is splitting generation into two – the South Island hydro-stations and the North Island mix of thermal and hydro.

This option would appear to be fraught with the same problems which faced the four- or five-way break-up.

The Government has also not yet committed itself to privatisation of the retail distribution network. Officials have been asked to look again at the relativa merits of privatised direct ownership versus consumer co-operatives or local body ownership.

The Government had already announced that electricity supply authorities would be restructured into company form. The Government has agreed to a task force recommendation thet transmission and distribution charges be separated to make pricing more transparent, and it has recommended the removal of the present legal protection of area franchising and the obligation to supply.

The task force has also advised that there should be no prohibition on vertical integration of generation and distribution. In the light of these changes, which should anhance competition in the retail market, it has recommended that there should be no initial retail price controls.

The Government has agreed with the task force proposal to change the ownership of the transmission network.

The task force recommends that distributors and generators should form a "club" to own the transmission grid. The make-up of ownership and the club's charter is still under consideration.

It also recommends that the Government retain a share to allow it to veto decisions on a restricted number of club membership issues.

Donors take the temperature of Africa's ailing giant today

Nigeria-watchers will draw some comfort from encouraging developments, **Michael Holman** and **Julian Ozanne** report

THE LATEST litany of statistice tbat mark Nigeria's decline from its oil-fuelled boom in the 1970s to black Africa's ailing giant will be delivered behind closed doors in central London today.

Western diplomats and donors from Britain, the US, Japan, France and West Germany are attending a meeting to review a *World Bank* progrese report on Nigeria's economic recnvery programme, and to discuss the country's external financing needs for 1990.

Nigeria'e external debt is $30bn (£18.7bn), and per capita income has fallen to $290 last year, compared to $670 a decade ago. Yet its 120m population accounts for one in every five African, and it remains Europe's biggest market in black Africa.

These facts, coupled witb the religious tensions between the country's Christian and Moslem communities, riots last May, and the uncertain popularity of President Ibrahim Babangida's military government, explain a certain frisson of unease among the professional Nigeria watchers.

They will draw some comfort from a few encouraging developments since they last met in January. Revenue from oil – whicb provides some 90 per cent of export earnings – is higher than forecast, up from $6.2bn last year to a projected $6.6bn in 1989. A recent International Monetary Fund review of an accord reached in Jannary, renewed the Fund's imprimatur on the government's structural adjustment programme, thus clearing the way for continued external debt rescheduling.

Several government-guaranteed trade debts, covered by an outline $5.7bn rescheduling agreement signed under the auspices of the Paris Club last March, have been successfully negotiated, including a deal witb Britain's Export Credit Gnarantee Department covering over $850m.

On the debit side is the continuing delay in disbursement of the second half of a $500m trade and investment policy loan from the World Bank. The main burdle involves Africa's biggest industrial white elephant, the Ajaokuta steel plant into which well over $3bn has been sunk.

An unpublisbed report on tbe project commissioned by the *World Bank* is said to have confirmed what earlier studies had made clear, but successiva Nigerian governments have been reluctant to accept: it is unviable, although it may be possible to salvage some parts of the complex, if it is scaled down and modified.

The Bank, say Nigerian officials, insists that government spending on Ajaokuta must be cut. Until agreement is reached, a second tranche of the trade and investment loan will not be released.

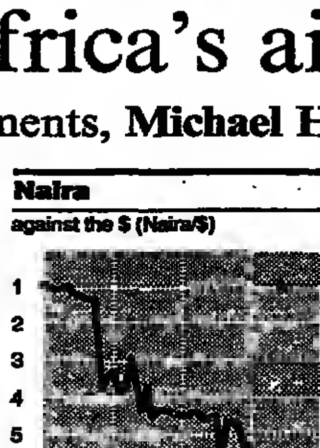
On the political front, last May's riots and student protests, in whicb at least 20 people died, were a reminder that years of austerity have brought discontent to the surface, only partly eased by President Ibrahim Babangida's implementation of a phased return to civilian rule hy 1992.

Perhaps the most heartening development officials will be assessing today's is the impact of an unprecedented liquidity squeeze. It has curbed the rise in inflation and eroded the gap between the official and black market exchange rates, two issues critical to the success of a economic recovery programme launched in mid-1986.

The official rate of the Naira to the dollar – a little over 7, has not moved substantially, but the unofficial rate is now between 9 and 10 Naira, compared to around 12 last May. Then, all state-owned enterprises, inclnding operations such as the Nigerian National Petroleum Corporation, were ordered by the government to close their accounts with commercial and merchant banks, and transfer all outstanding balances to the Central Bank of Nigeria.

Naira

against the $ (Naira/$)



At first, the directive was widely ignored. But in mid-June, President Babangida told chairmen of parastatals that they had 48 hours to carry out the *order or resign*.

The Central Bank said last month that N7.1bn had so far been taken out of the system. Some commercial bankers believe that once all state-owned companies comply, the amount could be as high as N11bn – 25-30 per cent of total bank deposits.

During the weeks of late May and early June, the results were dramatic. Commercial banks saw a rapid fall in deposits, and started defaulting on interbank payments; current account cheques were bounced, and loans called in.

For a while, it looked as if the government was prepared to see several banks go under. In mid-July, the authorities intervened, permitting banks to overdraw their accounts at the central bank to meet their interbank obligations. But there was a penalty – they were banned from participating in the daily auction for foreign exchange conducted by the Central Bank.

The move averted a crisis in the *short term but has left* several commercial and merchant banks struggling to rebuild their liquidity. The interbank market virtually halted, the prime lending rate has risen from around 19 to 25 per cent, and the already ovar-worked Central Bank has the burden of acting as commercial banker to the entire state sector.

Government officials say the measures were essential to cut money supply growth - which increased by over 12 per cent between January and May, and to curb inflation, running at an annual 50-60 per cent.

"This growth was unacceptable. We needed to reduce the money supply, moderate inflation and take pressure off the exchange rate. We had to do something urgently," Mr. J.O. Sanusi, deputy governor of the Central Bank, said.

But the measures have had a further result. They have curbed the free-wheeling elements in Nigeria's rapidly expanded banking sector.

Since the end of 1987, the number of banks has risen from 49 to nearly 90. These new banks, say government officials, are finding they have neither sufficient expertise nor resources to cope in the new, tougher environment.

INTERNATIONAL FINANCE CORPORATION'S REPORT

Foreign investment rises in developing countries

By Stephen Fidler, Euromarkets Correspondent

FOREIGN direct investment into developing countries rose last year, marking an encouraging development, according to the annual report of the International Finance Corporation. The body is a World Bank affiliate established to encourage the private sector in developing countries.

The report, published today, describes prospects as still fairly favourable for an improvement in the business climate in developing countries.

Foreign direct investment rose from $13bn in 1987 to at least $17bn "and quite probably more" in 1988. Net investment flows into Latin America improved, largely reflecting debt-equity conversion schemes, some of which it notes have been recently restricted. Investment increases in Asia reflected receptive governments and the continued striving by multinational corporations to reduce production costs. In most of Africa, however, inward investment did not increase.

Overall capital inflows into developing countries, however, remain low and dominated by official credits, whose share of total flows increased again in 1988. This, it said, "was not the most appropriate when many governments are encouraging more private sector activity".

The IFC says two factors are behind its view on favourable prospects for Third World business: the likely world economic expansion and the continuing encouragement of the private sector by most developing country governments.

However, actual experience will continue to differ widely. Low investment and low growth in the middle-income high-debt countries is unlikely to abate within the next year or so, while businesses in sub-Saharan Africa will continue to experience difficulties. Prospects for those in oil-exporting countries may improve, while in most Asian countries they are expected to remain good.

'Prospects are favourable for an improved business climate in the Third World'

The report notes that companies in the developing world often need more finance than those in developed countries.

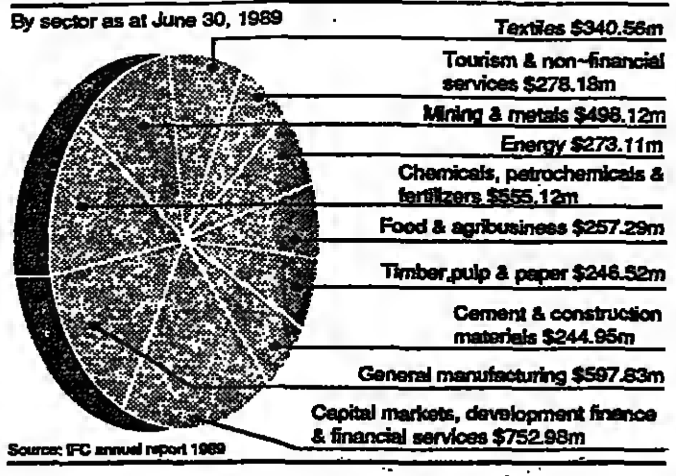
The IFC itself posted another year of record profitability, with net income roughly doubling for the third successive year. Net income of $196.5m in the year to the end of June was 95 per cent up on the previous year, helped by strength in world equity markets. This amounts to a 13.7 per cent return on equity and a 5 per cent return on assets. Capital gains of $118.6m surpassed the IFC's previous record of $40.8m set in 1987.

Sir William Ryrie, the IFC's chief executive, says, however, that the current year's net income will be lower, with the pace of gains made last year unsustainable.

The IFC made provisions for losses in the year of $59.6m, compared with $40.4m the year before. Improvements in the portfolio and recoveries amounted to $22m. Loss reserves thus stood at 9.2 per cent of the total IFC portfolio of $2.8bn, compared with 9.8 per cent in the previous year.

IFC's committed portfolio

By sector as at June 30, 1989



Source: IFC annual report 1989

Congress grilling for SEC nominee

By Janet Bush in New York

MR Richard Breeden, President Bush's nominee as chairman of the Securities and Exchange Commission which regulates US securities markets, was issued an *immediate* challenge at the beginning of his confirmation hearings in Congress yesterday.

Senator Donald Riegle, chairman of the Senate banking committee, said the next head of the SEC "must be the strongest chairman to date in the enforcement of securities laws".

Mr Breeden, *if confirmed by* Congress, will succeed Mr David Ruder, who is resigning at the end of this month to resume his former academic post at Northwestern University outside Chicago.

He responded to Senator Riegle's opening remarks, saying that vigorous securities law enforcement was good for market integrity and could help US markets to compete globally for foreign investment. He said that criminal sanctions were a helpful adjunct to civil enforcement.

Mr Breeden, who played an important part for the Administration in passing legislation to bail out the savings and loan industry and worked with then Vice-President Bush during the Reagan administration, is, unlike Mr Ruder, a Washington insider. He has a reputation of being a free marketeer.

He was expected to face questions about whether legislative or regulatory action should be taken to control more closely various aspects of leveraged buy-outs and whether the SEC should have any say in overseas takeover battles.

Of particular interest in Congress is the bid for BAT Industries, owner of the Farmers insurance group in the US, by Hoylake Industries, the consortium headed by Sir James Goldsmith. The SEC under Mr Ruder has been examining whether the SEC has any jurisdiction over the bid.

Rise in car sales boosts US retail figures

By Nancy Dunne in Washington

THE US Commerce Department yesterday said that US retail sales made moderate gains in August, boosted by the largest advance in car sales in 19 months.

Car sales jumped by 2.6 per cent, after rising 1.7 per cent in July. Along with what appears to be a summer rebound in the housing industry, the advance for retail sales seems to suggest, as have other recent economic reports, that the US economy is achieving the "soft landing" of slow growth and moderate inflation.

However, a better evaluation of the trends will be possible later today after the Government releases reports on wholesale prices, industrial production and trade.

The retail picture was a mixed one. Excluding the volatile car sector, retail sales rose 0.2 per cent.

US warns allies of security priorities

By Lionel Barber in Washington

THE Bush administration has delivered a warning to its European allies to move cautiously in trade and arms control issues with the Soviet Union.

Mr Lawrence Eagleburger, deputy Secretary of State, said it was not the task of US foreign policy or Western partners to take measures to help President Mikhail Gorbachev succeed in his reform programme.

"Our task is to devise policies which will serve our interests whether Mr Gorbachev succeeds or fails," he said in a speech at Georgetown University on Wednesday night. "And our common goal ought to be the maintenance of the security consensus that has served the West so well for the past 40 years until the democratic reform *in the East becomes irreversible*".

He warned: "If the Western tendency towards unilateralism on trade matters is *matched in the field of security* relations with the East bloc, the Soviets may be able to play Nato members off against each other and obtain arms and trade concessions without undertaking . . . systematic reforms."

Mr Eagleburger's speech – billed as an effort to define US policy into the next century – acknowledged that the US had entered a new era where its power was far more circumscribed and where the European Community would play an increasingly important role in East-West relations.

He said that the Europeans had the principal stake in making the transition to a new and undivided Europe, but Europe should also assume greater responsibility for their own defence and a more equitable division of labour within the Alliance.

Mr Eagleburger also called for the US, the Europeans and the Japanese to find "institutional means" to bring the Japanese into a closer consultative relationship on economic and political matters, so they can play "the creative and positive international *role* which is rightfully and necessarily theirs".

Brazil's presidential debate exposes candidates' credibility gap on debt

Ivo Dawnay on recipes for tackling the country's economic woes

AS Brazil heads relentlessly towards an undeclared but *de facto* moratorium on foreign bank debt interest, militant bankworkers in Brazil are calling for a similar halt to the servicing of the country's internal debt.

Their demand is based on an understandable distaste for the fat profits now being earned by private sector banks from trading government paper – currently paying monthly a prodigious 3.5 per cent real interest. The proposal scores more points for radicalism than rationality, however. If the inflation-fuelled paper whirlpool that is the Brazilian banking system ceased to spin, the first victims would be the workers who administer it.

Cooler heads are now looking to the medium term or, at least, up to March when a new government takes office. Brazilian officials say the foreign debt issue should be temporarily shelved by what they describe as an "understanding" reached last week between Brazil and its commercial bankers.

Foreign bankers are themselves playing down the existence of any such understanding, saying Brazil can expect little co-operation if it falls severely behind on interest payments. In any case, debt will remain a big political factor in the presidential campaign now under way.

Next Monday the country is due to make a $1.6bn interest payment to its commercial creditors but Mr Mailson da Nobrega, the Finance Minister, has made clear that the deadline cannot be met without new funding from abroad. Most foreign bankers and Brazilian economists seem to believe some sort of moratorium on interest due on about $60bn in medium- and long-term loans will continue until well after a new President takes office next March 15.

Even if the International Monetary Fund forgives Brazil's failure to meet the economic targets it agreed last year, any new stopgap accord with the Fund is unlikely to prove sufficient to release all of a total $3bn in "new money" from multilateral, sovereign and commercial creditors which Brasilia claims is its due.

Similarly, Brazil is unlikely to regard its foreign exchange reserves – thought to stand currently at over $6.5bn – as adequate to allow the servicing of all its overseas liabilities.

Perhaps the only certainty for 1990 is that if no new payments are made by Brazil until the end of the first half, a further $11bn in interest will have to be added to the pile of unpaid bills.

Sifting for clues as to what the presidential candidates would do in office is seriously impeded by a yawning credibility gap between their rostrum rhetoric and the reality they would actually face. Only one of the top 10 hopefuls believes in simply meeting the country's liabilities out of export earnings and he is languishing at the foot of the polls. Several appear to be arguing for a new rescheduling, but with improved terms.

Of these, Mr Leonel Brizola, the veteran left-wing populist, is by no means the most radical. He is proposing an immediate renegotiation, a ceiling on interest rates, an extended term for payment to, say, 40 years and linkage of repayments to the country's trade performance – hints, perhaps of President Alan Garcia's strategy in Peru. However, surprisingly Mr Brizola – placed second with 13 per cent of voters' preferences – does not advocate an outright default.

By these standards the clear front-runner, Mr Fernando Collor de Mello, whose clean-government ticket has won him a consistent 42 per cent in the polls, is altogether more eccentric. His prescription is that the Government should negotiate only its own sovereign

Brizola: left-wing, but not the most radical on debt

debts, remitting responsibility for other loans – mostly corporate and many in the state sector – back to those who incurred them. They would then negotiate directly with their creditor banks and institutions.

An organisational nightmare, this idea looks set to fall at the first fence of creditor resistance. Some 'blue-chip' companies like Petrobras, the state oil company, might well, in theory, be able to service their debts. But Brazilian government guarantees, already distinctly value impaired, would be regarded internationally as about as valuable as the country's numerous letters of intent to the IMF.

Many conservative bankers and economists now believe that creditors will have to give some kind of "breathing space" to Brazil to right its economy, or it will simply be taken without their consent. What alarms them, however, is that a great deal of election rhetoric suggests to voters that a resolution of Brazil's debt-induced balance of payments problems would at a stroke relieve the bulk of the country's chronic economic ills.

Prof Mario Henrique Simonsen, the former Planning Minister who now sits on Citibank's board, points out that a moratorium on commercial bank debt represents a saving of 1.9 percentage points of Gross Domestic Product. Although this is significant, it is by no means enough to bridge a budgetary "gap" expected to exceed 6.5 per cent of GDP.

Where the militant bankworkers are right is in pinpointing, in the short term, the cost of servicing the country's internal debt. This is what most immediately threatens to tip Brazil over the abyss of hyper-inflation. This year alone the stock of government paper has nearly doubled, equalling in nominal terms the $112bn foreign debt.

With a full or partial foreign debt moratorium already in place, any new President taking office will first have to concentrate all his attention to how to avoid an internal one.

Mexican debt deal awaits bank finance

By Stephen Fidler, Euromarkets Correspondent

AN important bank financing of $1.1bn-$1.2bn remains to be arranged before the Mexican debt package can go into effect, despite the detailed agreement reached this week between Mexico and its leading bank creditors, bankers said yesterday.

The finance is necessary to ensure that when the agreement goes into effect the full $7bn of collateral is available to support the new bonds which provide the core of the package.

The collateral is being provided by Mexico itself, the World Bank, *the International* Monetary Fund and the Japanese Export-Import Bank, but the IMF and Exim plan to phase in their contributions, depending on future Mexican economic performance.

Citibank, the country's leading bank creditor, is leading efforts to put in place a letter of credit arrangement to bridge these contributions. The financing is being put together outside the 15-bank advisory group which negotiated the financing package, although Citibank and *Bank of America*, cochairmen of the group, are expected to make significant contributions.

Bankers concede that expecting banks to provide such a letter of credit, which hangs to some extent on Mexico's future economic performance, while at the same time writing off other loans, is apparently contradictory. *Provided the IMF* and Exim disbursements are made on time, the letter of credit will be paid down in instalments until mid-1992.

Mexico's roughly 500 banks have been circulated with details of the four-year agreement, announced late on Wednesday, which provides an estimated $2bn-$3bn in net annual financial benefits. A $2bn bridging loan from the US and other industrialised countries is being made available following the agreement.

If the banks agree, the accord is expected to go into effect early next year, with the benefits backdated until the middle of 1989.

The agreement, which allows Mexico, with some restrictions, to buy back certain amounts of its debt, gives banks three main options:

- Make new loans equivalent to 25 per cent of their exposure over four years, with 40 per cent of the new funds available as soon as the agreement becomes effective, which is likely early next year. There are various ways to do this, including new money bonds, and banks committing to the package before October 31 will *receive a ½ point early* participation fee.
- Swap old loans for 30-year collateralised bonds carrying market interest rates but a face value discounted by 35 per cent.
- Swap old loans for 30-year collateralised bonds carrying a fixed 6¼ per cent interest rate.

The 30-year bonds, expected to be issued in the first weeks of 1990, will be available in up to 10 currencies and be backed with collateral to cover the principal repayment in 30 years and between 18 and *24* months of interest.

If the real price of oil goes up, holders of such bonds may be able to benefit from 30 per *cent of Mexico's increased oil* revenues, starting in July 1996. The maximum extra yield would be 3 per cent a year.

Workers seek full control of Cananea

By Richard Johns in Mexico City

THE Confederation of Mexican Workers (CTM) wants to buy Compania Minera de Cananea, the strike-bound copper mining company in the state of Sonora, and will consider nothing less than 100 per cent control, according to its leader.

Mr Fidel Velazquez, veteran chief of the 5m-strong labour movement, Mexico's largest, said on Wednesday that the CTM was not prepared to contemplate any partnership with private capital – national or foreign – in the strike-bound enterprise declared bankrupt on August 2.

His proposal followed President Carlos Salinas de Gortari's suggestion earlier this week that the workers and staff should become co-owners of the *company*, a symbol of labour militancy and revolutionary nationalism. Twice last year the de la Madrid Government failed in plans to privatise Cananea and it has become a benchmark of the present administration's ability to privatise.

Restrictive practices and exorbitant demands from the *labour* force have bedevilled operations and complicated previous attempts at divestiture. But full worker ownership of Cananea by the hide*bound CTM* was not *what* the head of state had in mind as a solution to the problem.

Mr Velazquez's initiative was dismissed out of hand by Mr Oscar Sainz, president of the strike committee for Section 65 of the Union of Mining and Metallurgical Workers of the Mexican Republic (STMMRM), as "demagogic". The STMMRM has claimed bitterly about lack of support from Mr Velazquez and the CTM, criticism which reflects deep divisions over future control of the union.

*Private secto*r leaders have paid lip-service to Mr Salinas's suggestion. Mr Rolando Vega Iniguez, president of the Business Co-ordinating Council (CCE), said *earlier this* week that participation by the employees in the capital of the copper mining enterprise could be a means of raising productivity.

Mr Jorge Kahwagi Gastine, president of the National Chamber of Industrial Transformation (Cancintra), said that the workers would benefit financially but that they would have to accept private sector methods. He also assured a cheering crowd at Puebla that the mine – wholly owned by Anaconda until its "Mexicanisation" in 1971 – "would not return to the hands of foreigners".

A number of foreign compa*nies are understood* to be interested in buying a stake in the company once labour problems at the mine are resolved.

Reducing the work force remains a seemingly intractable problem. The company, now under receivership, has proposed a cut in the mining work force from 3,295 to 2,500, according to Mr Napoleon Gomez Sada, the STMMRM boss.

- The Mexican Government raised revenues in the first seven months of the year to 29,700bn *pesos* ($11.7bn), an increase of 40.4 per cent in nominal terms and 15.5 per cent in real terms, according to the Ministry of Finance.

Total income – *boosted by* higher than expected per barrel oil – amounted to 51,500bn pesos, 6,000bn pesos more than forecast in the 1989 budget.

Stock market in Chile upset by political worries

CHILE'S stock market has fallen sharply and the parallel dollar market has shot up, writes **Barbara Durr** in Santiago.

The index for the most actively traded stocks fell 3.3 per cent on Wednesday, while the US dollar rose to 337 pesos, a record high and up from 325 last week.

The President of the Santiago Stock Exchange, Mr Pablo Yrarrazaval, said the market's drop was a sign of sagging confidence, although brokers said there was no economic reason for share prices to fall.

The small market, however, is sensitive to political events. Brokers said the market was anticipating a victory in the December elections for the opposition coalition's candidate, Mr Patricio Aylwin, a Christian Democrat. The main pro-business candidate, Mr Hernan Büchi, is falling behind in opinion polls.

While opposition economists have sought to persuade business leaders that no major eco*nomic* changes are in the offing under an Aylwin government, the business community has little faith that the left wing of the opposition coalition will *not* press for more radical measures. Business leaders already do not like what they read in the opposition's economic platform, which proposes changes in labour laws and higher company taxes.

Contributing to the market decline was news that the July trade balance was negative for the first time since January 1985. The trade deficit was $15.8m with imports at $581.2m and exports at just $565.4m.

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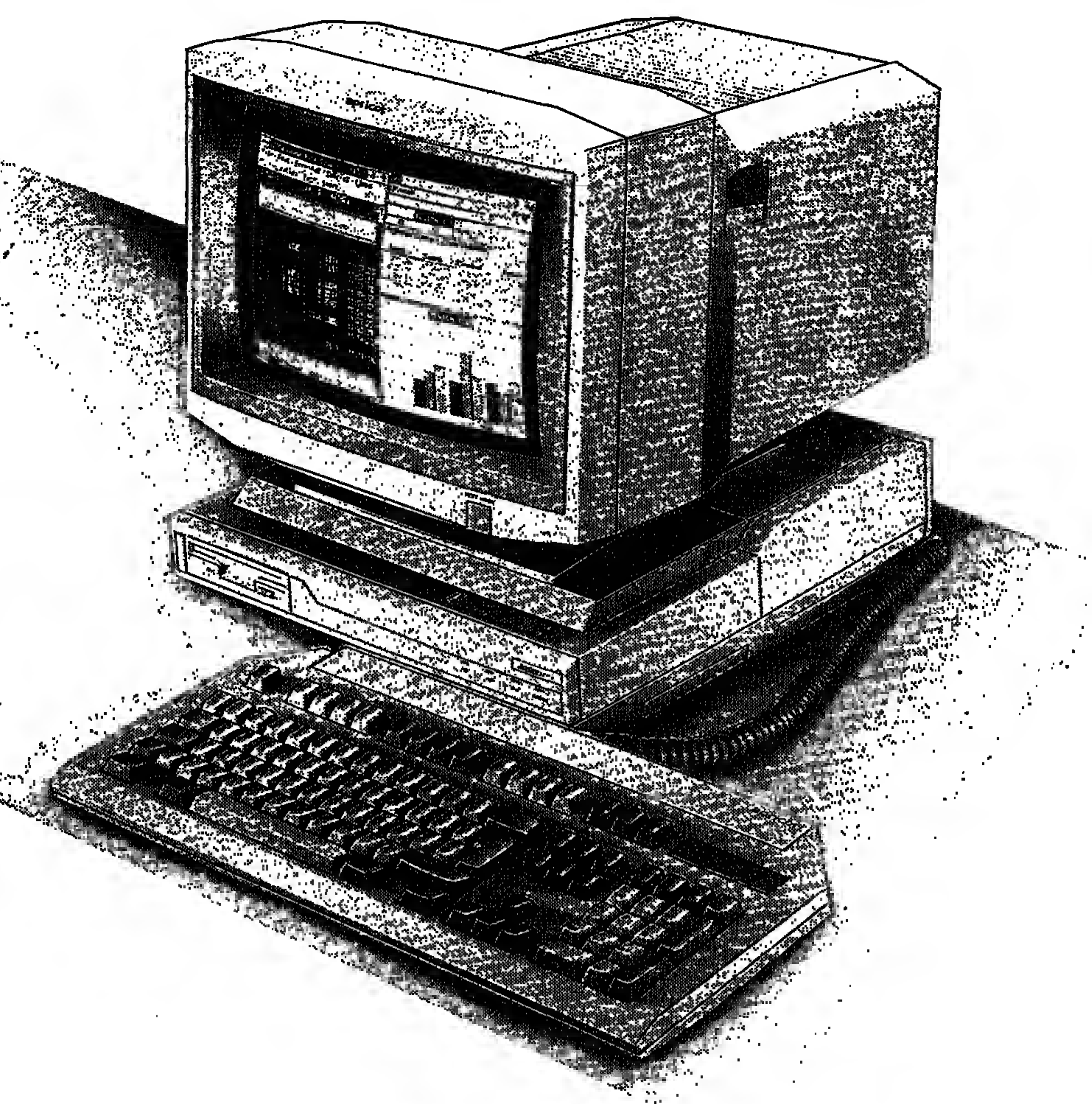

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Hills expresses concern over Airbus 'subsidies'

By Peter Montagnon

RESOLUTION of the trans-atlantic dispute over Airbus subsidies is still a high priority for US trade policy despite the apparent lull in negotiating activity this year. Mrs Carla Hills, US Trade Representative, said in London yesterday.

Though industrial pressures surrounding the dispute have abated with the boom in world aircraft markets, Mrs Hills signalled at a press briefing here that the issue involved a fundamental point of principle.

The US was particularly concerned at the exchange rate guarantees agreed by the West German Government for Airbus production.

This was the "most egregious" kind of subsidy, she said. "We think it destroys the price mechanism."

During her briefing, and later at a speech to a businessmen's lunch, Mrs Hills homed in on the need to reduce subsidies in key areas of economic activity.

"The one essential target of our strategy is to get governments out of business: out of the business of making steel, selling grain, growing beef, building ships, and the hundreds of other ways that governments distort trade. This goal drives all of our recent trade actions."

She said the US was now seeking with its trading partners "a commitment to cease subsidies in shipbuilding and adopt a mechanism for enforcement."

The process would be similar to that announced for steel in connection with the recent Bush Administration decision to extend voluntary import restraints for two-and-a-half years while subsidy rules are

Hills: point of principle

worked out, she said. "We would require agreement on the kind of subsidies that would be prohibited."

The US was working with the OECD on this, though it was not clear whether any rules would come under the framework of that organisation or of the General Agreement on Tariffs and Trade.

During her speech Mrs Hills defended US trade actions against criticism of unilateralism. She said: "First, we are committed – and we are challenging our trading partners to match our commitment – to conclude successfully the Uruguay round of multilateral trade talks by December 1990.

"Second, in a manner that is entirely consistent with our Uruguay Round aims, we will pursue bilateral and regional market opening initiatives.

"Finally we will use the strength of our domestic market to further our objectives in the round.

Mrs Hills said that the Gatt dispute settlement system needed to be strengthened further. Separately she said that one reason why the US had been unable to accept Gatt criticism of its law relating to patent infringement was that it believed the 72-page judgment contained errors and at present Gatt offered no right of appeal. US officials indicated that the changes being sought by the US would extend rather than replace the agreement on dispute settlement reached by Trade Ministers in Montreal last December.

Mrs Hills also said the US would submit detailed proposals on world agriculture reform to Gatt this autumn, but it had not yet decided on whether to offer a paper in the politically sensitive area of textiles.

Italy set to criticise Trade Act

By John Wyles in Rome

MRS Carla Hills, the US Trade Representative, faces a blast of hostile criticism over the US Trade Act when she meets Mr Renato Ruggiero, Italy's Foreign Trade Minister, in Rome on Sunday.

Mr Ruggiero has made it plain that he wants to hear from Mrs Hills a clear definition of the changes to the Gatt agreements which would pave the way for the abolition by the US of the restrictive clauses 201 and 301 of the Trade Act.

These enable the US to take unilateral action against imports from countries which it believes are unfairly limiting American exporters' access to their markets.

In a tough speech on Wednesday, he told a Milan conference that Italy believed that sections of the Trade Act were clearly in breach of the Gatt agreements and contradicted the Bush Administration's commitment to unilateralism in the regulation of world trade.

"It would be very important if the US were henceforth to clarify what are the measures needed to strengthen the GATT system in such a way as to abolish, at the end of the Uruguay Round, many of the controversial aspects of the Trade Bill, in particular sections 201 and 301," said Mr Ruggiero.

The strength of the minister's remarks gained added importance from the fact that Mr Ruggiero is likely to be the European Community's chief political negotiator in the second half of next year when the Uruguay Round talks are supposed to reach their climax. Italy will occupy the presidency of the EC's Council of Ministers from next July.

The Minister did not hide his irritation at recent reports that Mrs Hills had revived US charges that the Community may be bent on building a "Fortress Europe".

While acknowledging that Europe and the US did disagree on various points of trade legislation, Mr Ruggiero added: "I reject categorically such anxieties because there are no signs of closure in the process of integration."

■ Norway's Defence Ministry has called for bids from US defence contractors through authorities there on the supply of four, F-16 class-A fighter bomber aircraft for delivery by 1993, with an option for an additional four, Karen Fossli reports from Oslo.

A deal concluded between the two countries will involve an "industrial compensation" commitment to provide Norwegian defence contractors with an opportunity to supply or co-supply a minimum percentage of components for the aircraft.

Norway currently has a fleet of 62 F-16A aircraft, of which two were delivered this summer by the US defence contractor, General Dynamics.

A fleet renewal programme was undertaken in 1975 for the supply of 72 F-16As.

The controversial deal, which was part of a wider contract to supply Belgium, Denmark and The Netherlands with new F-16s, comprised an inflation escalation clause and an "industrial agreement" under which 14 Norwegian companies, together with companies from the three other countries, supplied 58 per cent of the components for the aircraft.

Texas Instruments secures deal with NHK

By Stefan Wagstyl in Tokyo

NHK, the Japanese state broadcasting organisation, is to transfer high-definition television (HDTV) technology to Texas Instruments, the US micro-chip manufacturer.

TI will pay an undisclosed sum for the technology. The deal highlights the growing number of technological advances made by Japanese companies ahead of their Western rivals.

NHK, which has pioneered HDTV and has developed the first prototypes, has agreed to the transfer in order to broaden the number of companies involved in the development of its proprietary system, called "Muse" or "Hivision".

The group is anxious to win as wide a range of supporters for its format as possible in the face of challenges from groups of companies which have developed rival formats, both in Japan and in the US and Europe. The regulatory authorities in each country have yet to set standards which will determine which formats will be acceptable.

NHK's version produces one of the highest quality pictures, but is incompatible with existing television receivers. NHK said yesterday that TI was the first company to which it had transferred HDTV technology. It was looking for other partners in order to spread HDTV technology around the world.

TI's office in Tokyo said the company would use the technology to develop integrated circuits for use in advanced television sets. These would be supplied to Japanese television manufacturers. The company would work with customers in America and Europe in order to adapt the technology to different HDTV standards. The company's overall strategy was to penetrate the market for semi-conductors for advanced television systems.

TI estimates that the market for micro-chips for consumer electronics will grow to $10bn by 1993. The advanced vision segment of that market would grow from zero today to about $3.5bn by 1993 and $10bn by 2000.

■ A technological co-operation agreement signed in 1984 between the US Commerce Department and Nippon Telegraph & Telephone was renewed and extended yesterday.

Under the pact, NTT and the Commerce Department's National Institute of Standards and Technology exchange information and personnel.

■ Mitsubishi Corporation, Japan's largest trading house, yesterday welcomed the new structural trade talks with the US designed to reduce the country's bilateral surplus, but warned that the basic economic changes demanded by Washington "cannot happen overnight", Robert Thomson reports from Tokyo.

Cadbury eyes Gulf after lifting of Arab boycott

By Lisa Wood and Victor Mallet

CADBURY Schweppes, the UK confectionery and soft drinks group, is poised to re-enter the Gulf market after hearing of its removal from the Arab blacklist by the Arab League's boycott office in Damascus.

Cadbury Schweppes has been blacklisted for 14 years and has thus been excluded from several important markets, including Saudi Arabia, Kuwait and the United Arab Emirates.

Mr Neville Bain, managing director of Cadbury's confectionery division, said: "We have heard these rumours and should they turn out to be true we will be in a position to have our confectionery products in the marketplace by the end of the year as well as investigating new joint ventures."

The company has received no official notification of its release from the blacklist, but at a meeting in Damascus in July, Cadbury Schweppes was among the companies named as having been dropped by boycott officials. Others included RJR Nabisco, General Motors, Gulf and Western, and Sony. Altogether 22 were taken off the list, and 24 put on.

Cadbury Schweppes products continue to be sold in Israel and the company has an agreement there with Jaf-Ora. Its removal from the blacklist will further raise hopes among Western businessmen that the secondary boycott – aimed at companies with links to Israel – is weakening.

Coca-Cola recently succeeded in returning to the Gulf by being removed from the boycott lists of individual countries, despite its continued blacklisting at the central boycott office.

Cadbury Schweppes executives have already chosen local businesses to act as agents in the Gulf countries, although they are waiting for confirmation of the company's removal from country blacklists before appointing them officially.

Move on Brazil-Argentine trade

By Ivo Dawnay in Rio de Janeiro

THE TROUBLED heavy-duty capital goods industries of Brazil and Argentina have launched an unprecedented bilateral bid to liberalise trade in their products between the two countries. This wholly-private-sector initiative comes amid mounting frustration among businessmen on both sides of the border over the slow progress in integrating commerce between South America's two biggest markets.

In an effort to speed the process, trade associations representing the major heavy machinery and civil engineering companies of both countries last week concluded an accord laying down the terms for reducing barriers to trade in their products.

The proposals, delivered to their respective governments this week, call for a dramatic reduction in bureaucracy and regulations.

Currently, the Brazilian capital goods industry is recording sales of some $8bn a year, substantially reduced by the fall in orders from its near bankrupt government. Utilisation of installed capacity is down to 50 per cent.

In Argentina, total sales are just $1.5bn on even lower plant use. Yet while companies in both countries have spotted potential sales for their products in each others' markets, hurdles remain to concluding deals.

Under the new proposals, revealed this week by Abidib, the Brazilian industry's association, it is claimed sales of capital goods would pick up markedly, provided equal terms are offered by each side.

The two governments are to be asked to approve in principle tariff-free trade for the sector conditional on:

● financing agreements being the same for both sides. This would exclude deals completed with the aid of Brazil's Befiex incentives programme which promotes exports;

● national content requirements also being harmonised, though both Argentine and Brazilian components would be regarded as "national" for the purposes of the agreement;

● parallel tariff regulations in deals where some duties remain in force.

Revealing the scheme, Mr Roberto Cainby Vidigal, an Abidib negotiator, said: "If the two governments approve, we are going to see a rapid integration process, without preferential lists, without bureaucracy and with none of the things that habitually hamper companies".

Companies in both countries have recently been negotiating to supply several cross-border projects. But progress in liberalising the trade in capital goods has remained behind that of other business sectors.

An Abidib official said the industry believed its proposals would be adopted by the two governments. "The integration process is going to happen. But what is important is to get it into action."

Total Brazil-Argentine trade was just $1.6bn last year, with Brazil showing a surplus of $368m.

India stands firm against US demand on investments

By William Dullforce in Geneva

INDIA TOOK a firm stand yesterday against the US drive, supported by the European Community, Japan and other industrialised countries, to do away with a broad range of current restrictions on direct foreign investment.

These countries' attempt to negotiate a new "international investment regime" under the General Agreement on Tariffs and Trade during the Uruguay Round went far beyond the directive from world trade ministers at the start of the Round in 1986, India claimed.

It charged the US and its partners with being one-sided in seeking to impose controls on governments without simultaneously disciplining restrictive business practices often used by multinational corporations.

A Reserve Bank of India survey had shown that 94 per cent of the collaboration agreements made by foreign companies in India had restrictive clauses, Mr Arumugamangalam Ganesan, India's chief negotiator, said.

India's 23-page paper offers the most cogent and closely argued case for the opposition so far submitted to the group negotiating on trade-related investment issues in the Uruguay Round.

It had widespread backing among developing countries, Mr Ganesan said.

The paper advances reasons why development considerations should outweigh trade implications in assessing the effects of the local content and export performance rules imposed on foreign investors, which the US and its partners are seeking to have banned.

During her visit to Geneva on Wednesday Mrs Carla Hills, US Trade Representative, emphasised that agreement on foreign investment rules was a priority for Washington in the Uruguay Round.

The US has listed 12 governmental measures currently applied to foreign investments on which it wants action.

Japan yesterday took the industrialised countries' case a step further by listing seven measures it wanted prohibited.

They included local content or local manufacturing obligations and requirements that a specific share of manufactured products be exported. Differences of opinion within the 12 European Community countries again prevented the EC from tabling its proposal.

● Member countries of the General Agreement on Tariffs and Trade said after an informal meeting yesterday that they were ready to resume work on China's application to rejoin the world trade organisation.

However, they had decided to ask the government in Peking for "clarification of recent developments" in economic and trade policies in China, a Gatt spokesman said.

A statement giving the clarification should preferably be ready before the next meeting, scheduled for December 12-14, of the working party, which had been examining China's request for membership, the spokesman added.

Hearings on China's application were put on hold in July after the crushing of the student protest movement in Peking's Tiananmen Square.

The US Congress in particular was at the time in no mood to allow Chinese exports the unconditional "most favoured nation" tariff treatment which would be needed in the next phase of the negotiations.

Gatt members' decision to seek clarification of China's current policies implies that the working party will re-open the assessment of China's trading regime which it had completed.

In July the working party had been due to start drafting the protocol of accession.

It is likely, too, that the demand for clarification will expose China to hostile questioning in the working party.

China was a founding member of Gatt but quit in 1950, when the Communist regime came to power.

THE GATT ANNUAL REVIEW OF INTERNATIONAL TRADE

World markets set for continued rapid expansion

By William Dullforce in Geneva

GOVERNMENTAL policies allowing freer play for market forces, technological innovations in the production of goods and services and new ways of doing business have put the world economy into a phase where trade is growing faster than at any time since the economic recession of the late 1960s and early 1970s.

That at least is the conclusion drawn by economists of the General Agreement on Tariffs and Trade seeking to explain the 8.5 per cent surge in the volume of world trade in goods in 1988 and the unexpectedly high 7 per cent expansion they are now forecasting for the current year.

Charts included in Gatt's 1988-1989 international trade report show that by the end of last year the volume of world merchandise trade was up by nearly 40 per cent from its 1982 recession level. In the six years following the 1975 recession the volume rose by only 30 per cent and then came to a stop.

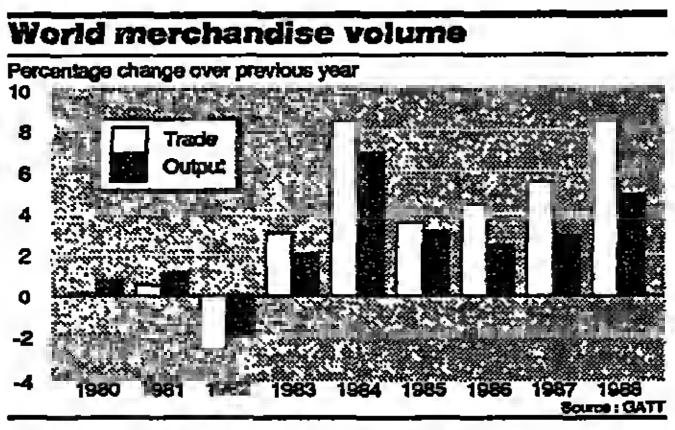
Few analysts foresee an early halt to the present recovery. Currently, the expansion in the trade volume is outstripping the growth in world output by almost two to one. Many countries are increasing the share of their national output sold in world markets. Those which have been trade oriented by tradition – Belgium, the Netherlands, Sweden and Switzerland – are doing particularly well and are being joined by newly industrialised countries such as Hong Kong, Mexico, Singapore and South Korea.

Gatt's economists explain the strength and durability of the current trade expansion partly by structural developments in the production of goods and services and partly by adjustments in economic policy. Justice is paid to the fall of nearly 50 per cent in the real cost of petroleum since 1980.

Among more durable structural changes technological innovation is producing new tradeable goods and services and advances in transport and communications which make the exchange of goods easier. Mergers and joint production, technology sharing and marketing agreements among companies from different countries are multiplying.

They have been paralleled by what the Gatt report terms "a quantum leap" in the interdependence of national financial markets. The result, the report says, is an evolving network of intricate economic linkages between investors, producers and consumers around the globe, which is generating a steady stream of opportunities for increased specialisation of production.

Important developments in official economic policies have interacted with the structural



changes. Among those listed by Gatt are:

■ Improvements to the functioning of markets through deregulation and denationalisation.

■ Confidence in the readiness of major central banks to prevent a return of high inflation rates.

■ Further liberalisation of capital flows.

■ The economic reforms in the Soviet Union, some East European countries and China.

■ The elimination of barriers to regional trade and the commitment of more than 100 governments to trade liberalising in Gatt's Uruguay Round.

These developments are "redrawing the map of trading relationships and interests" but equally important, Gatt emphasises, is private businessmen's perception of the direction in which the world economy is heading. The good trading climate of the 1950s and 1960s was made possible because businessmen planned their investments in accordance with their feeling that the world was moving in the direction of more open markets, the Gatt secretariat comments. However, the fluctuations of the business cycle have not been conquered, the secretariat warns.

"External shocks, periodic over- and under-investment in key sectors, macro-economic miscalculation and other disturbances will continue to affect the rhythm of economic activity in individual countries and in the global economy."

Manufactured goods, and more particularly capital goods, were the driving force behind last year's 8.5 per cent upsurge in world trade.

Exports of manufactures grew by 10 per cent in volume (against 6 per cent in 1987) and by 16.5 per cent in value. Since the beginning of the decade the share of manufactures in world merchandise trade has climbed from 55 to more than 70 per cent. Strong business investment, focused on machinery and equipment, rather than buildings as companies moved to upgrade their production apparatus, boosted trade in capital goods, which last year accounted for roughly 30 per cent of merchandise exports, up from 24 per cent in 1970 and 22 per cent in 1980.

Office and telecommunications equipment – a key form of investment for many service industries – has been the fastest expanding sector in capital goods trade during this decade. Gatt figures show how six Asian developing countries – Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand – achieved a combined total of $47bn in capital exports in 1987 by specialising in this category.

These countries, proving Gatt's thesis that dynamic exporters tend to be dynamic importers, have also become important buyers of capital goods, to the tune of $57bn in 1987, a figure which was nearly four-times larger than that for Japan's imports of capital goods. In volume exports of agricultural goods grew more slowly last year, at 5 per cent, compared with 1987, but prices were stimulated by drought-induced shortages, so that farm exports climbed by 14.5 per cent in value.

Examined on a country basis, the 1988 trade expansion was boosted by accelerated import demand, led by Japan and non-petroleum exporting developing countries.

For the third year running West Germany just beat the US as the leading exporter in 1988, but its huge preponderance in imports – $460bn against $251bn – meant that the US remained the world's biggest trader by a wide margin.

In assessing movements in trade volumes in 20 individual countries last year, Gatt found that only Australia, Spain and the UK recorded large differences between import and export growth "that were not consistent with an ongoing adjustment process".

The first volume of International Trade published yesterday will be completed later in the year by a second volume devoted primarily to statistics. The two-volume set, price SFr30, can be obtained from the Gatt secretariat, 154 rue de Lausanne, 1211 Geneva 21, Switzerland.

Exports of services increase to $560bn

By Peter Montagnon, World Trade Editor

EXPORTS of services were worth around $560bn last year and are now roughly equal to those of food and fuels combined, or to those of automotive and electronic products, the Gatt report says.

Its first ever published study of trade trends in services was prompted both by efforts to liberalise such trade in the current Uruguay Round and by growing recognition of the importance of services in the world economy.

Gatt says growth in services trade has outstripped that of merchandise exports for much of this decade. It now stands at slightly less than 20 per cent of total trade in goods and services for both developed and developing countries.

But its economists admit that their attempt to piece together an overall picture has been dogged by the paucity of available statistics. This has also been a problem in the Uruguay Round discussions.

Recorded figures almost certainly understate the actual importance of services trade by a substantial margin and there are some striking discrepancies, for example in figures for shipping services where export and import figures are distorted by the failure of three open-registry countries – Liberia, Bahamas and Bermuda – to report their exports.

Because of this, Gatt says, its figures can only provide a very rough order of magnitude, but certain trends emerge clearly.

Between 1970 and 1987 world exports of services grew eight-fold to $505bn, it says. The share of industries such as telecommunications, banking and insurance has increased compared with that of transport, particularly thus far in the current decade.

The figures suggest that it is Western Europe rather than the US – the driving force behind the current Uruguay Round discussions – which may have most in absolute terms to gain from the liberalisation of trade in services. Service exports from Europe amounted to $309bn in 1987, while those of North America were only $67bn even though they have been growing faster, at 6.5 per cent annually, than any other region except Asia (7.5 per cent) during the current decade.

But the US was also the largest individual country exporter of services in 1987, with total sales of $56bn. The figures confirm previous estimates that, despite the much vaunted role of the City in the British economy, the UK lags behind France and ranks third.

Gatt notes that the development of trade in services and in goods are interlinked. While it has long been clear that increases in merchandise trade stimulate service sectors such as shipping, port services and merchandise insurance, there is also now an awareness that the availability of new services can work the other way and promote trade in goods, a case in point being the development of containerised shipping and the large reductions in air freight rates over the past three or four decades.

Similarly, it suggests the development of service trade feeds on itself, citing the example of telecommunications.

"Services are playing a major role – perhaps the major role – in the globalisation of markets and the expansion of world trade," it says. Access to service inputs at competitive prices is vital for business, even for those in the non-service sectors of manufacturing and agriculture.

The top five exporters of services in 1987 were the US ($56bn), France ($53bn), the UK ($42bn), West Germany ($41bn), and Italy ($33bn). The top importers were West Germany ($64bn), the US ($56bn), Japan ($52bn), France ($43bn), and the UK ($33bn).

Industrialised world urged to be more generous to debtors

By Peter Montagnon, World Trade Editor

THE INDUSTRIAL world should adopt a more generous attitude towards the exports of developing countries to help them overcome their debt problems, secure growth and integrate themselves in the world economy, the Gatt report on international trade says.

Developing nations have failed to reap much advantage from the surge in world trade over the past few years, it says.

Exports of the 15 leading middle-income indebted countries followed by the Gatt only exceeded their 1981 level for the first time last year. Their aggregate imports are still below levels prevailing before the debt crisis broke. In 1987 only eight of the 28 least developed countries in Africa were able to report exports above their peak levels of the 1970s.

While many of these countries are being urged to open their own markets to the products of rich countries and diversify their exports as part of efforts to adjust their economies, Gatt says the odds are stacked against them creating a credibility gap.

The actual and potential export earnings of developing countries are being reduced by import barriers against agricultural goods, including tariffs that escalate with the degree of processing, and by subsidised competition from rich countries in third markets.

Where manufactured goods are concerned, the barriers are often strongest in precisely those labour-intensive sectors such as textiles and clothing. Often the preferential access that does exist lacks the security of bound reductions in trade barriers.

"What these countries need are commitments that their efforts to develop export industries based on comparative advantage will not fail because of structural rigidities and protection in their principal markets." Both the poor countries of Africa and the indebted nations of South America remain almost entirely dependant on extra-regional markets for their exports, Gatt says.

It warns against policies that would marginalise them further in an expanding world economy, and suggests that industrial countries should go beyond the normal conventions of reciprocity in making trade concessions to them during the current Uruguay Round.

UK NEWS

Days lost to strikes highest since 1984

Jobless rate falls to 6.1% as earnings growth rises

By Simon Holberton, Economics Staff

THE NUMBER of people claiming unemployment benefits in Britain fell for the 37th consecutive month in August to the lowest level since November 1980, the Department of Employment said yesterday.

Allowing for seasonal variations, there were 1.75m people claiming benefits, 36,000 fewer than in July, to give an unemployment rate of 6.1 per cent.

The Department reported a rise in the annual rate of earnings growth throughout the economy from 9 per cent in June to 9.25 per cent in July. Earnings growth in manufacturing, services and production industries was unchanged.

There was a sharp rise in working days lost through strikes in July. The number lost was estimated at nearly 2.4m, reflecting transport, docks and local government disputes, and was the largest loss due to strikes since November 1984 when the miners were on strike.

The slight pick-up in earnings growth was in line with expectations of economists but the size of the fall in seasonally adjusted unemployment was twice what many analysts had expected.

This was seen as negative for the forthcoming round of pay negotiations in industry and indicative of continuing tightness in the labour market. These conditions could fuel union demands for higher pay settlements.

However, the rate at which unemployment is falling is beginning to slow. In the six months to the end of August unemployment has fallen by an average of 33,200 a month; in the six months to the end of February it fell by an average of 46,200. In the three months to the end of August the average monthly fall was 28,300.

Manufacturing industry continued to shed employees. In July there were 5.1m in manufacturing employment, 6,000 fewer than in June and 29,000 down on July 1988.

Divide between south and north widens

By Clive Cookson

The "north-south divide" in Britain has been growing wider during the economic recovery of the past three years, according to an analysis of unemployment statistics.

Mr Alan Townsend, reader in geography at Durham University, north-east England, told the annual meeting of the British Association for the Advancement of Science that since 1986 unemployment had fallen 50 per cent in the south and 39 per cent in the north. In Scotland the reduction had been only 29 per cent.

The areas sharing least in the improvement – Strathclyde, Merseyside, Nottinghamshire and Tyne and Wear – were all in the north.

The recent growth in employment had been mainly in services. The West Midlands was the only industrial region in which a strong recovery of male unemployment was evident. The north had benefited mainly from growth of female jobs.

"The experience of Britain in the 1980s supports international theory that regional divisions, once established, are deep-rooted and tend to get worse," Mr Townsend said.

Balance of payment figures indicate UK shortfall of £18bn

By Peter Norman, Economics Correspondent

WEAKER than expected invisible exports pushed Britain's second quarter current account balance of payments deeper into deficit and indicated that this year's overall current account shortfall will be sharply higher than last year's £14.6bn.

Preliminary official figures show the deficit increased to a seasonally adjusted £4.86bn in the three months to the end of June, from £4.78bn in the first quarter.

The deterioration reflected a downward revision to £967m from £1.2bn in Britain's estimated surplus on invisible exports. These comprise earnings from services such as banking, insurance and tourism; net interest, profits and dividends on British investments abroad less net transfer payments overseas.

Yesterday's news caused some surprise in the City of Londonwhere a quarterly payments deficit of around £4.7bn was expected. Although the impact on financial markets was limited, some analysts predicted increased nervousness in the City ahead of the August current account figures which are due on September 26.

The latest figures prompted some forecasters to raise their estimates of August's current account deficit by around £100m to around £1.8bn compared with the July's £2.06bn deficit. Looking further ahead, Mr Gavyn Davis, chief UK economist of Goldman Sachs International in London, said Britain's overall current account shortfall this year could now be higher than £18bn and achieving that figure would require some improvement in performance between now and the end of the year.

The detailed invisible earnings published by the Central Statistical Office yesterday showed a strong growth in Britain's surplus on services in the second quarter to £1.3bn from £843m in the first quarter and £883m in the final quarter of 1988 offset by a steep decline in the balance of interest, profits and dividends.

In Brief

SLD votes for civil liberties package

WIDE-RANGING package of measures to improve and protect civil liberties was adopted as party policy by the Social and Liberal Democrats yesterday at their conference in Brighton.

This commits the party to a bill of rights, equal opportunities, protection of privacy and press freedom and fresh legislation on official secrets and freedom of information.

Biotech warning

THE European Community is not yet "singing in harmony" in the way it regulates biotechnology, the chairman of the UK Health and Safety Commission told the British Association for the Advancement of Science annual meeting.

Brain moratorium call

A BRAIN grafting pioneer, Professor David Marsden of the National Hospital for Nervous Diseases in London, called for a moratorium on attempts to treat Parkinson's disease by transplanting foetal brain tissue.

Welsh Office criticised

THE WELSH Office has been sharply criticised by the Parliamentary Public Accounts Committee for its financial management control systems and lack of the installation of a modern management information system.

Labour ads pledge

LABOUR, the main opposition party, pledged to step up its campaign over the scale and nature of government advertising after a meeting with the Independent Broadcasting Authority, saying the government had gone beyond the provision of public information towards party propaganda.

MPs request review

AN influential group of MPs called for "an independent review" of the way British Nuclear Fuels managed its capital projects, due to cost some £5.7bn to the end of the century.

How to be green at the coffee machine

By John Hunt, Environment Correspondent

FIRST came the green activist, followed by the green voter and the green consumer. Now, in the front line of the battle to save the planet, comes the green office worker.

The Universal Green Office Guide, to be published on September 25, is a call to Britain's 10m office workers "to identify and tackle environmental issues at work."

More and more citizens have been using ozone-friendly aerosols at home and bundling up newspapers for recycling. But, says the guide, the office, too, is an environmental minefield.

That handsome new desk could be made from tropical hardwood, contributing to the destruction of forests.

Other danger points are photocopiers and fax machines. Despite earlier optimism that the paperless office was on the way, the tide of paper continues to mount. Unless you are using the recycled product you could be contributing to the destruction of 250 trees every five minutes.

Even the office colour scheme should be viewed with suspicion – cadmium pigments are used in plastics to help produce deep yellows and reds. "Cadmium is a heavy metal and is both toxic and highly persistent in the environment," warns the guide.

Nor should the mid-morning coffee break be treated lightly. Beverage vending machines are heavy users of electricity, and "wherever the energy we use comes from, its production and distribution will have helped to cause significant environmental problems."

(*Universal Green Office Guide, Universal Office Supplies, £1.95. Profits to World Wide Fund for Nature*).

● The Landbank Trust was launched yesterday to form partnerships with British companies and advise them how to develop and maintain environmental standards.

Government under pressure to cut nuclear power privatisation

By Clive Cookson

THE GOVERNMENT will find it very hard to resist growing pressure from London's financial institutions to remove the current generation of Advanced Gas-cooled nuclear Reactors (AGRs) from its electricity privatisation programme, a leading energy analyst told the British Association for the Advancement of Science annual meeting yesterday.

In July the government announced that the first generation of Magnox nuclear power stations would remain in public ownership, and Mr John Chesshire, head of the energy programme at the Science Policy Research Unit, Sussex University, predicted that the government would also have to leave the AGRs out of the planned flotation.

"I find it difficult to believe that the AGRs will not follow the Magnox stations, though there would be an enormous political reaction if that happens," said Mr Chesshire, who is a consultant to the Commons Energy Committee and to City of London institutions.

The arguments for leaving Magnox stations in public ownership - particularly the high costs of decommissioning - applied with even more force to the AGRs, he said. "The poor operating record of the AGRs makes the uncertainty about them even greater."

Mr Sam Goddard, who is in charge of power station construction at the Central Electricity Generating Board and will have the same role with National Power, the larger of the two private successor companies, defended the AGRs. "They have given mixed results; they have been far from universally bad," he told the meeting.

"Our view is that we can make a success of the AGRs and we do not want them to be retained in government ownership," Mr Goddard said.

But Mr Chesshire insisted that AGRs now have an irredeemably bad reputation in financial circles. "The City regards AGRs as liabilities not assets. If they are kept in the package, that will depress the flotation price of National Power."

Poll tax estimate jumps £40

By Richard Evans

THE AVERAGE community charge in England from next April will be £290 per adult according to the latest independent research. This is over £40 higher than previous calculations.

The £290 estimate is based by the Chartered Institute of Public Finance and Accountancy (Cipfa) on a national non-domestic, or business, rate pool next year of £9.5bn. But if this total is raised to £10.3bn, which would be consistent with business rates in the current financial year, then the average community charge would fall to £268.

Cipfa, a highly regarded independent body, urges local authorities to question the starting level of the non-domestic pool to ensure that community charge, or poll tax, payers do not carry too heavy a burden.

The research shows the gap between the highest and lowest community charge would be £481 per adult-the difference between £664 in the London borough of Hammersmith and Fulham and £183 in Rochester upon Medway.

The difference triggered between a national non-domestic rate pool of £9.5bn and one of £10.3bn would be about £22 per adult for all areas. It could mean a difference of about 11 to 12 per cent on the community charge bill in low level areas like Rochester and Redbridge, but only 3 to 4 per cent in high -level areas like Hammersmith and Fulham.

Even so, the higher level of NNDR would make a difference of at least 8 per cent on community charge bills in over 200 of the 366 local authority areas in England.

Paying for Local Government: Illustrative Community Charges and Safety Nets for England and Wales for 1989-90. Cipfa Publications Section, 3 Robert Street, London WC2N 6BH. £20.

Joint life assurance company formed

By James Buxton, Scottish Correspondent

ROYAL Bank of Scotland and Scottish Equitable are to create a joint venture life assurance company. When it starts operating in the early summer of 1990, the Royal will give up its status as an independent financial intermediary and become a tied agent for the joint venture.

Royal Bank, the sixth largest bank in the UK, will own 51 per cent of the joint venture, which will have initial capital of between £15m and £20m. It will aim to offer a full range unit-linked products including pensions, life assurance and investment and mortgage products.

The creation of the joint venture is further evidence of the tightening links between banks and life assurance companies following the upheaval caused by 1986 Financial Services Act. The new company is intended to combine Scottish Equitable's expertise in life assurance and pensions with the Royal's marketing outlets through its 850 branches, of which 40 per cent are in England and Wales.

Mr Charles Winter, chief executive of Royal Bank of Scotland Group, said that the project would fill a gap in the Royal's product range "at an acceptable cost." Mr David Berridge, chief executive of Scottish Equitable, said a joint venture was better than forming a tied arrangement with a big financial retail institution.

UK NEWS

Retailer's profit fall shows effect of rate increases

By Christopher Parkes, Consumer Industries Editor

JOHN LEWIS Partnership, one of Britain's most efficient retailing businesses, yesterday blamed depression in the housing market, prompted by high interest rates, for a 27 per cent fall in first-half profits.

The drop underlined the impact of high interest rates on the group's most important customers: middle-class home owners in south-east England.

More than half the partnership's 22 department stores, and about 80 per cent of its 85 Waitrose supermarkets are based in the region. But Mr David Young, finance director, said there were signs that the depression was rippling into neighbouring areas.

Mr Peter Lewis, chairman, said any great improvement in the general trading climate was unlikely and profits for the year looked certain to fall.

Total sales rose 7.4 per cent to £959m in the half year, yielding trading profits of £53m, down 15 per cent on last year. Pre-tax profits were £37m.

Turnover in the supermarkets was up 8.3 per cent, in line with results from grocery chains such as J. Sainsbury and Safeway. However, sales in the department stores increased only 5.8 per cent – less than 2 per cent in real terms after stripping out price inflation in the shops' range of goods.

Trade in expensive furniture, carpets and electrical appliances which occupy more than 20 per cent of the sales space in the stores has been especially hard hit.

"These departments are important to the partnership and some have suffered heavy decreases," Mr Lewis said. Sales growth in the stores had been "the thinnest for many a long day."

The group's difficulties have been compounded by heavy borrowing to finance expansion and new warehonsing. Interest charges and preference dividends in the first half were more than doubled at £6.8m.

BP accused of breaking promises on Scottish jobs

By Max Wilkinson

BRITISH Petroleum's announcement that 1,700 jobs – about half of them in Scotland – are to be lost in its exploration and production operations provoked immediate protests from Scottish MPs and trade unionists.

A delegation of members of Parliament led by Mr Tony Blair, the opposition Labour party energy spokesman and Mr Donald Dewar, the party's spokesman for Scotland, will visit Mr John Wakeham, the Energy Secretary today to voice their concern.

Mr Alex Salmond, MP for Banff and Buchan, yesterday accused the company of breaking undertakings it made when it bought Britoil last year that jobs would not be lost in Scotland.

"BP is guilty of a breach of faith of breathtaking cynicism. It has torn up the solemn undertakings of last year and is plundering Britoil's assets and sacking BP and Britoil workers. It is a black day for Scotland, but also a black day for the reputation of BP," he said.

Mr John Browne, chief executive of BP exploration said, however, that the number of BP jobs in Scotland had risen by 1,130 since early last year, compared with the projected job cuts in Scotland of 970. He said efforts would be made to achieve as many of cuts as possible by early retirement and voluntary redundancy. Some $100m is expected to be paid out in compensation as a result of the exercise. It is understood that the first to go will be those recently hired and agency workers.

The MPs will demand that the Government should order BP to reverse the redundancy plans on the grounds that they breach the spirit of undertakings given to the Treasury in February 1988 when Britoil was bought.

Britoil, privatised with the oil and gas assets of the former British National Oil Corporation, was protected from takeover by a special "golden share" held by the Treasury. Many Scottish MPs wanted the government to veto the takeover on the grounds that it would lead to a loss of jobs. However, BP promised that it would re-locate its main exploration and production staff in Glasgow, at the former Britoil headquarters.

The redundancies, which result from a worldwide cost-cutting exercise, will all be among clerical and managerial staff. No offshore workers are to lose their jobs

The BP shake-out can be seen as part of a general effort among oil companies to cut costs in their production and exploration operations after the 1986 collapse in oil prices. However, in the last three years, BP has been occupied by cost cutting in its American operations, where more than 1,400 jobs were lost. This year employment in the Scottish offshore industry has picked up sharply. The restructuring of BP Exploration, Page 26

Compaq to purchase factory from Wang

By James Buxton, Scottish Correspondent

COMPAQ, the rapidly expanding US business personal computer manufacturer, is to take over the factory at Stirling in central Scotland recently closed by Wang Laboratories as part of its retrenchment programme.

Compaq is to make the Stirling plant its base for international service and repair work, initially employing 125 people. The decision represents a further development of Compaq's operations in Scotland, where it already employs 550 people in a plant at Erskine near Glasgow.

Because of the transfer of Wang's plant to Compaq, the Government will not be bolding the financially tronbled Wang to its commitment to repay about £400,000 in grants paid out on the Stirling plant.

Wang announced tbe closure of the Stirling facility in June because of its serious financial problems which last month led to a big debt rescbeduling operation. Prodnction was transferred to a plant in Ireland with the loss of abont 220 jobs. So far 164 peopie have found new jobs.

By transferring its service and repair operations to the 135,000 sqnare foot Stirling facility Compaq will free more space for manufacturing at Erskine, which is being expanded for the second time since it was opened in 1987.

After Wang decided to pull ont of Stirling it gave a commitment to repay £380,000 of the £3.7m of government grants it had received for the Stirling operation. Mr Ian Lang, Scottish industry minister, said yesterday that Wang did not have a legal obligation to repay the money whicb was related to capital assets rather than jobs, and the Government was now content that Wang had discharged its obligations to the Scottish economy by the transfer to Compaq.

The company was maintaining its position as the second largest supplier of business personal computers in Europe with about 10 per cent of the market. It lies behind International Business Machines but ahead of Apple and Olivetti.

UK Government concedes China fighter exports

By Philip Stephens,

THE GOVERNMENT conceded yesterday that it had authorised the export to China of sophisticated electronics equipment for fighter aircraft despite the arms embargo imposed after the Beijing Government suppressed student demonstrations in Tiananmen Square.

The admission brought a sharp attack from the Labour party which accused the Government of breaking its own embrago and returning to "business as usual" with China after a "perfunctory condemnation of the events in June.

Mr Gerald Kaufman, Labour's foreign affairs spokesman, said that the Government had granted a licence to MDS and GEC Avionics to manufacture and snpply radar and other equipment for MIG fighter aircraft.

Airlines agree deal to sell holidays in US

By David Churchill, Leisure Industries Correspondent

PAN AMERICAN World Airways, the US airline operator, has reached agreement with British tour operator Jetways for a three-year deal to sell holidays to the US.

Pan Am said that it had agreed to provide all of Jetways' capacity to over 40 destinations in the US. Jetways this year took 20,000 passengers to the US. According to Jetways this would mean revenue for both the airline and tour operator of $100m over the next three years.

● Plans to spend £20m to improve facilities at terminal one at Heathrow Airport include provision for up to nine new aircraft jetties which will reduce the number of passengers having to take a bus from the terminal building.

Warrant issued for former chairman of Eagle Trust

By Philip Coggan

A WARRANT has been issued for the arrest of Mr John Ferriday, former chairman and chief executive of Eagle Trust, the UK industrial holding company which is the subject of a Serious Fraud Office inquiry.

Mr Peter Sargent of Huddersfield accountants Revell Ward Horton, the liquidators of Hydrodan (Corby), a former subsidiary of Eagle Trust, said that on September 12, an order was made in the Northampton County Court for the issue of a warrant following Mr Ferriday's failure to attend the court. Mr Ferriday was required to assist the court and the liquidator in their investigations into the affairs of Hydrodan.

Mr Ferriday attended the court in July to give evidence about the collapse of Hydrodan (Corby), which produced hydroponic grass growing machines. He was ordered to return to give evidence on September 11; when he failed to appear, the order was made.

Hydrodan went into compulsory liquidation in December 1988 after Eagle Trust sold the company in return for a 10 per cent interest in a group called Marlborough Leisure Park.

The last indication of Mr Ferriday's whereabouts came in a newspaper interview, early in September, which was conducted at an undisclosed address outside the UK. In the interview, Mr Ferriday revealed details of how Eagle loans were used to finance the purchase of its own shares. Under the Companies Act a UK company cannot legally purchase its own shares except under clearly defined circumstances.

Mr Ferriday resigned from the Eagle board in May after the arrival of Mr Malcolm Stockdale, the chairman of US group Iroquois Brands, as chairman of Eagle.

Other companies linked to Mr Ferriday have been in financial difficulties, including MCP Building Supplies, one of Mr Ferriday's earliest business interests, which is in the hands of administrators. The Serious Fraud Office is also examining the affairs of Paramount Holdings, an airline holding company controlled by Mr Ferriday and his long-time business partner Mr Richard Smith.

Earlier this week, Mr Smith denied any day-to-day involvement in the affairs of Paramount. Mr Ferriday could not be contacted for comment yesterday.

Meanwhile, Eagle Trust yesterday met Mr Andrew Fitton, the chief executive of Baithwaite, an industrial services company. Mr Fitton has assembled a consortium which wants to inject capital and buy up to 30 per cent of Eagle's equity.

Government criticises Labour over water policy

By Philip Stephens, Political Editor

MR MICHAEL HOWARD, the minister responsible for the water industry, yesterday said that the Labour Party's opposition to its privatisation indicated that it remained a "prisoner of its past", opposed to the spread of wider share ownership.

Responding to an attack on the sale by Mr Brian Gould, Labour's shadow trade and industry secretary, Mr Howard dismissed predictions that the sale would fail.

It was "absolntely on course" to take place in November and would give a further boost to the spread of share ownership.

Mr Gould said in an article in yesterday's FT, that water was at the top of Labour's list of industries which would be returned to some form of public ownership when it took Government. He added that the price that a Labour Government might offer for water shares could be below the original issue price.

Mr Howard said that Labour would not succeed in upsetting the success of the privatisation. It had said similar things before the sale of BT in 1984 and the privatisation of British Gas in 1986 and: "No one took any notice, including those Labour MPs who subscribed to the shares".

Outhwaite members to issue writs for damages up to £1bn

By David Waller

THE MEMBERS on the heavily loss-making Outhwaite insurance syndicates yesterday defied Lloyds' of London and decided to go ahead with litigation to claim damages whicb could range between £300m and £1bn.

They plan to press ahead with litigation both against the RHM Outhwaite agency which ran the syndicates and against more than 100 other agency companies in the Lloyd's market which placed people on the syndicate.

The decision - taken at a meeting of 1100 of the 1640 members or Names on the syndicate - will come as a setback for Lloyds which has seen a decline in the number of people wishing to allow their assets to be used as the basis for the underwriting market.

Mr Murray Lawrence, the chairman of Lloyds wrote to all the Outhwaite names last week exhorting not to resort to litigation. Speaking after the meeting - whicb was held in private - Mr Peter Nutting, chairman of the 1982 Names Association said that the members had urged him to stop talking about litigation and "get on and issue the writs."

Accordingly, writs would be prepared and issued by the end of the year Mr Nutting said. Last month the Names received advice from Counsel that litigation against the members' agents would stand a high chance of success on the basis of the claim that the underwriting was negligent.

Mr Nutting said tbat tbe move towards litigation should not impede the conciliation process set underway by Lloyds earlier this year with a view to settling disputed "run-off" contracts dating from the 1982 year of account. These cootracts refer to lisbilities taken on by Outhwaite names from other syndicates who wished to close their own accounts by reinsuring their ontstanding names.

Fruits of this process were seen on Wednesday this week when RHM Outbwaite announced that it had managed to cap its liabilities on four such contracts with the help of Mr Mark Littman QC, the Lloyds' conciliator.

Estimates of Names' losses to date amount to £304m. But industry sources suggest that the eventual liability could be as much as £1bn. The losses arose from the Names' exposure to the notoriously difficult US markets for asbestosis, environmental pollution and latent illness. The losses so far work out at £120,000 on average.

Mr Nutting said there had been no vote on the decision to sue. "There would have been no point" he said: "It was approval by acclamation."

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United Biscuits' strategy of anticipating and meeting consumer trends is reflected in a developing portfolio of powerful brands. Some are long established household favourites. Others, like the ones above, are successful new ideas. Each is a valuable asset.

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Interim results highlights (unaudited)

Sales	£1,398.5m	up	23%
Trading profit	£88.3m	up	16%
Profit before tax	£75.7m	up	10%
Earnings per share*			
Undiluted	11.4p	up	7%
Fully diluted	10.8p	up	6%
Dividends per share	4.9p	up	9%

** After exercise of warrants into 6.4m ordinary shares and full half year interest on 5.75% convertible preference shares.*

Ross Micro-cook, just launched, is Britain's first-ever range of recipe meals dedicated to microwave preparation.

Keebler's Magic Middles were launched in the USA in April and achieved sales of over 15 million packets in the first four months.

UB

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The content of this advertisement, for which the directors of United Biscuits (Holdings) plc are responsible, has been approved for the purpose of Section 57 of the Financial Services Act 1986 by Ernst & Young, Chartered Accountants, a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

MANAGEMENT

Hawker Siddeley for the mixing machine

Alan Watkins, recently-installed chief executive, tells Nick Garnett about his plans to shake up the UK engineering group

Is the last remaining great mare-constituted engineering group in the UK about to be put through the mixing machine?

Alan Watkins, who a few months ago became chief executive of Hawker Siddeley, one of the bastions of British manufacturing with its 200 factory sites and £1.87bn yearly sales, has made it quite clear that fundamental change is on the way.

"Hawker is in too many things, too widely spread," he says. The group is not big enough in virtually any of its products to maintain – long term – its existing market shares and technological capabilities. Its internal structure is derived more from its roots than from industrial logic.

That is certainly not what the previous management of this electrical and mechanical products group was telling everyone only six months ago.

But whether he is right or wrong, Watkins, the 51-year-old former managing director of Lucas Aerospace is setting out on a course of disposals and acquisitions that will shake up the group and its 44,000 employees.

These changes, he promises, will eventually alter even Hawker's collection of core businesses while the group's corporate structure is to be revamped and a dose of factory rationalisation thrown in. It is not going to be easy, and it is not going to be cheap.

What changes Hawker will and will not be able to make encapsulate some of the issues facing large chunks of British manufacturing. These issues include that of global scale, weaknesses in continental European markets, and the ability to make strategic disposals and acquisitions in a general environment of rampant bid speculation and take-over mania.

It is easy to see what is right with Hawker. It commands a high reputation for a lot of the products it sells – ranging from tiny motors and intricate control mechanisms to the sort of big lumps of metal beloved of small boys, like locomotives, electricity supply equipment, tunnel boring machines and diesel engines.

It is financially sound. With a pre-tax profit of £184m, its return of just less than 10 per cent is better than that of many large continental European engineering groups. It has no debt, generates around £100m in cash a year and has almost £100m in the bank. "There is nothing fishy about Hawker," says one analyst used to handling some of the wheeler-dealers, takeover merchants and financial engineers now lodged in British manufacturing.

Hawker, formed from a collection of businesses in 1935 and the products of which once included the Hawker Hurricane fighter and the matronly Armstrong Siddeley motor car, is also an engineering group through and through. It has 3,500 professional and graduate engineers.

Critics, though, say that it is that overweening engineering culture which has blinded it to some of its frailties.

Its board structure looks a little muddled. For example, one of its ten board directors is responsible for large diesels, power engineering and Hawker's aerospace businesses. Another heads electric motors, batteries, sensors and controls.

Some of its manufacturing plants are rather backward. Lister-Petter, a UK maker of small diesels has quite an advanced production facility. The much larger Brush locomotive and power engineering company in Loughborough, however, is on a sprawling, unkempt site with some dated manufacturing techniques.

The geographic pattern of manufacturing and sales is also constricted, reflecting Hawker's traditions as a supplier to the Commonwealth and, more recently, as an owner of businesses in North America.

Just over a half of its production comes from British factories, and 36 per cent from plants in the US and Australia. More than a third of its sales are in the UK and 27 per cent in the US.

There is nothing wrong with that, except that its sales in the Pacific area are tiny and Continental Europe accounts for just 8 per cent. At a time when selling to Europe is all the rage with 1992's open market in prospect, that might look a paltry figure.

Then there is the question of size and market dominance. Hawker splits its 86 business units into five groupings, some of which contain unrelated products.

Separating it out into more-related products and services shows that two – electric motors and generators, and aerospace (which mainly includes engine overhaul and repair) – each accounts for about 15 per cent of sales.

Four other businesses each make up about 10 to 12 per cent. These are rail equipment (including power units, brakes and signalling); diesels; electrical distribution equipment (contracting, switchgear and transformers) and instrumentation and controls. Batteries account for 8.5 per cent and mining equipment, 7 per cent. A large rag-bag of other activities include logging equipment, sheep-shearing machinary and a joint venture in cables.

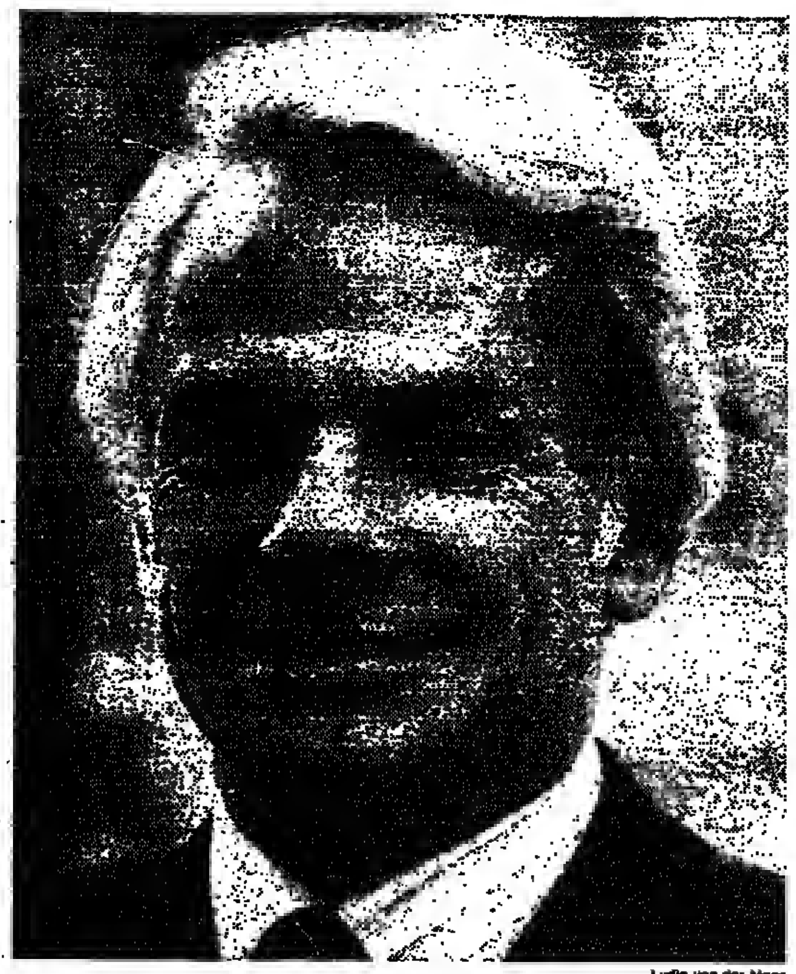
Hawker is certainly a big producer of some of these products. It makes more than 60,000 electric motors and generators a day, for example. But though it has some significant market shares in the UK, it does not have any dominant international presence in any of these activities.

So what is Watkins planning to do? On the internal side of things he is very clear. He wants to introduce a divisional structure with more coherent groupings of businesses. He is to vacate tha two head office buildings in the west end of London and move to somewhere just north of tha capital.

His visits around the Hawker empire have not impressed him with its overall manufacturing capabilities. He talks of "pockets of excellence." As a first step in trying to improve on this, 150 Hawker senior managers around the world are being summoned to a seminar on production techniques.

Watkins has also identified what he sees as failure of related businesses to work together on marketing. He points out, for example, that electric motors made by Hawker's Fasco company in the US are marketed by its Brook Crompton motor company in the UK. "But this is because of a decision by a couple of people in those two businesses. It is too dependent on individuals. There is no general structure in place in the group to do this."

This applies to the separate battery businesses which include Crompton Vidor and Oldham Crompton. The battery operations are the subject of a study on marketing, due for completion in October.



Lydia van der Meer

But just as important, the strategic possibilities of the battery business are also being examined and this exercise will be followed for all the other businesses next spring. So what views does Watkins already hold about acquisitions, disposals and Hawker's business portfolio?

He talks of developing perhaps six or seven core businesses; that would mean two or three others might be sold off within the next few years. He would like the group to aim for sales of around £4bn within the next four or five years, implying a compound growth rate of over 20 per cent and some significant acquisitions – perhaps in Europe, since Watkins wants significantly larger sales there. He is also keen to expand aerospace activities, including, possibly, aerospace components.

He thinks marketing joint ventures can be useful – Hawker's Brush division has one with Asea Brown Boveri for Channel Tunnel locomotives. However, he dislikes the full-scale animal. "I do not like operational joint ventures," he says.

Watkins makes it clear that acquisitions will be larger than those of the recent past when there was a host of small buys in the US controls sector – (£300m spent on 39 acquisitions since 1985). The purchase this mouth – set in train before Watkins' arrival – of Standard Aero of Canada for £56m was the largest buy since 1980.

Watkins has been asking managers what they need to do to become number two or three in their product sectors in Europe or the world. He has told them not to balk at considering a purchase in the £200m range.

The new chief executive has his eyes focused on size. "If you are not a global player you cannot maintain your technical competitiveness – and will not be able to meet the challenge of customers which are also globalising."

If you ask Watkins whether Hawker is big enough in, say, rail equipment or electricity distribution equipment to make a go of it, he says: "Well, that's for us to sort out. If we take a good look at all our businesses we realise that there are some we will not be able to deal with. We will have to take action either through acquisitions or divestments. In some areas I would rather divest than get into joint ventures." He does not rule out the "unappealing" possibility of retaining some relatively small businesses unrelated to anything else in Hawker.

So how does the potential of Hawker's businesses meet Watkins' requirements?

Hawker is starting a peak period in the supply of locomotives and traction equipment. Its Brush company built just 14 locos last year but that will increase to between 40 and 50 a year for the next few years thanks to contracts from British Rail and elsewhere. It is also making between 10 and 12 train propulsion systems per month.

This is quite a healthy figure. However, it should be compared with the more than 800 propulsion systems for locomotives, light railways and trams being built by Asea Brown Boveri this year.

Hawker cannot buy its way out of this problem; other large European producers, like Siemens, GEC-Alsthom and Ansaldo of Italy are obviously not purchasable.

In electricity supply and generation equipment, Hawker is in a good position to provide contracting and equipment for small stations which will become more popular in Europe. It can obviously make money doing this, but there seems virtually no prospect of it being a major overall power equipment supplier.

In electric motors and batteries, however, big company groupings have not been established, though there are indications that this might soon happen in batteries.

Hawker makes electric motors from just one tenth of a horsepower up to huge machines of 15,000kW. It does not have a dominant role in Europe in any power range, though. ABB claims to make three times as many large motors as Hawker.

The group has a strong presence in UK batteries – it has Vidor in the domestic market – particularly for industrial and traction applications with its Oldham and Tungstone businesses. These compete with big groups like Yuasa of Japan and Varta of West Germany. If it wants to expand in batteries, Hawker already has a start with plants in the US and France.

Under Watkins' predecessor, Bob Bensly, Hawker expanded in controls and instrumentation, particularly in the US. The businesses in this growth sector had combined sales of about £200m last year.

By comparison, diesels are not a real growth area, margins are low and Hawker's overall position is tenuous.

In Canada its Dosco and Hollybank mining equipment businesses have good technology but are not first rank producers in size.

Good acquisitions are not going to come cheap; and Watkins is aware that the process of restructuring might make the company vulnerable to takeover. No one is immune from this pressure these days, he says.

The City has taken to Watkins – though it is cautious. "I think he'll shake the tree," says one analyst. "Whether he can achieve his goal and get the company into the shape he wants is a different matter."

Management abstracts

Bow to use advisory styles. *C Margerison in Journal of European Industrial Training (UK), Vol 12 No 8 88 (4 pages)*

Regards consulting, or giving advice, as an integral part of the manager's job; distinguishes between two advisory styles called "pumping it in", based on tapping the creative experience of the other party or the group; explains when each style is more appropriate and gives examples, for instance in a performance appraisal where "drawing out" allows for subordinate self-appraisal.

Manage differences before they destroy your business. *R C Phillips in Training & Development Journal (US), Sept 88 (6 pages)*

Argues that most organisational conflicts begin with simple disagreements, which can, unless properly managed, escalate into disputes, limited war – and finally – all-out war. Analyses, at each stage, the level of involvement between the disagreeing parties, their goals and key behaviour, the emotional tone in which the disagreement is conducted, the involvement of third parties, and factors that can lead to escalation.

Great leaps in career development. *M W McCall + others in Across the Board (US), Mar 89 (8 pages)*

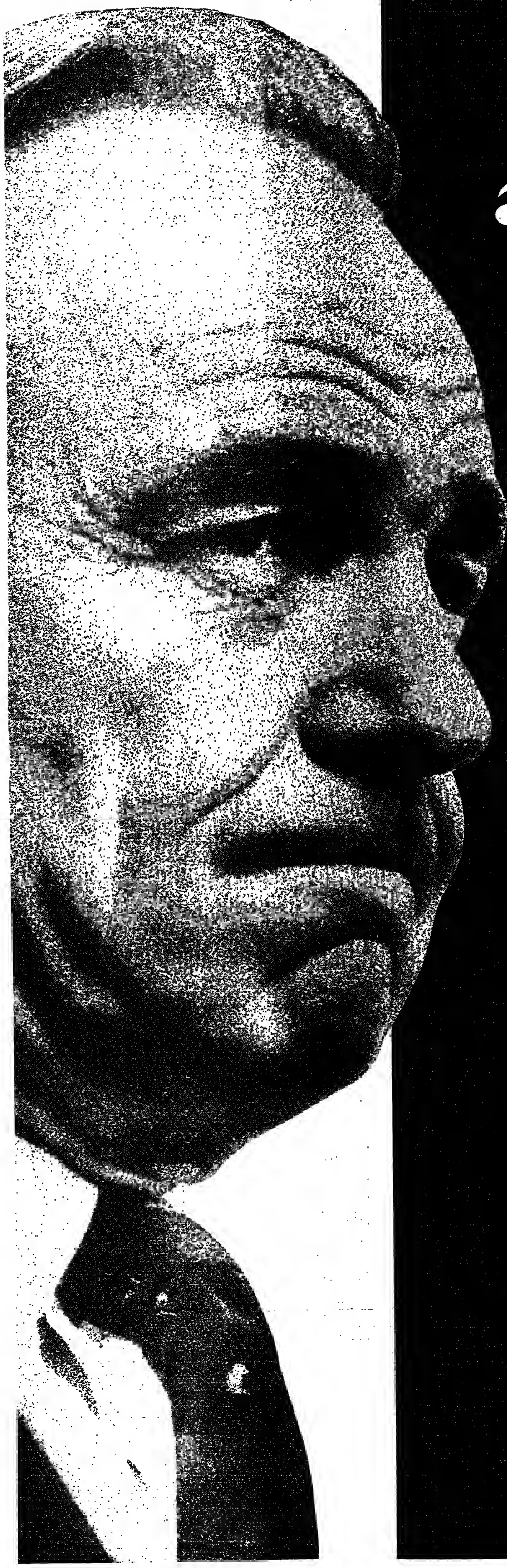
Discusses how special project assignments can play a major part in career development for mid-career managers, and identifies three general categories of assignment: trying out new ideas or installing new systems; negotiating agreements with external parties (joint venture partners or trade unions); and trouble-shooting in problematic situations, such as a big accident or plant closure.

Ranges over typical examples of project assignment, drawing lessons from each one, for instance on how to get others to co-operate without having formal authority over them.

Euro-consumers in 1992. *S Vandermerwe + M-A L'Huillier in Business Horizons (US), Jan/Feb 89 (7 pages)*

Presents a compilation of statistics and facts (well-known and less well-known) about the European single market.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.



"I don't agree with the White Paper at all on the idea of cash bids for television franchises."

Rupert Murdoch speaking at the Edinburgh Television Festival, 25.8.89.

If he's not for it, who is?

Rupert Murdoch, most ardent of free marketeers, said in his recent speech at the Edinburgh Television Festival that he was against the auction of the ITV franchises as proposed by the Government's White Paper on Broadcasting.

He is just one more in the long line of those who have stood up and declared their opposition to this proposal.

To mention but a few:

"Criticism of the proposals has been almost universal. It has come not only from the industry but also from the Consumers' Association, the Peacock Committee and even most of Fleet Street. If enacted, the proposals will be bad for business, the consumer and Britain's image abroad."

Dr Patrick Barwise, London Business School.

"The Home Secretary's statement that television franchises are to be auctioned off to the highest bidder makes a mockery of the Government's claim to place the viewer at the centre of broadcasting policy. Not one consumer body responded favourably to this idea which will benefit only the Treasury." *Mrs Jocelyn Hay, Voice of the Listener.*

"Even in the US, broadcasting licences have been awarded, not auctioned off, by the Federal authorities. France sold off its first national television channel TFI, to the private sector in 1987, but did so after fixing a price and then choosing between those who were prepared to pay it." *Financial Times.*

"The changes are unlikely to be to the benefit of viewers. Whatever the short term gains to the Treasury, that is not something it would be politically wise to ignore."

Kleinwort Benson, Merchant Bankers.

"We urge the Government to look very carefully at the implications of the proposed [tendering] system. We would regret it if the high cost of acquiring a TV franchise on Channel 3 discouraged the licensees from providing a high quality service which attracted viewers of all categories and ages."

Incorporated Society of British Advertisers.

ITV

Arts Week

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OPERA AND BALLET

London

Royal Opera, Covent Garden. The season opens with *Rigoletto*, in the underrated Nuria Espert production first shown last year. The cast includes Ingvar Wixell, Leontina Vaduva and Jerry Hadley. The conductor is Sian Edwards.

English National Opera, Coliseum. The first new production of the ENO season is *A Masked Ball*, by the team (producer David Alden, designer David Fielding, conductor Mark Elder) responsible for the company's controversial *Simon Boccanegra*. Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie take the leading roles. Further performances of the unevenly sung revivals which opened the season – *The Magic Flute*, conducted by Lothar Zagrosek, with Thomas Randle, Cathryn Pope, Alan Opie and John Connell; and *Katya Kabanova*, conducted by Albert Rosen, with Kathryn Harries, Pauline Tinsley and Donald Adams.

Paris

New York City Ballet opens the 27th Paris International Dance-Festival with a George Balanchine gala evening on Tuesday, continues with a Balanchine and Peter Martin evening on Wednesday and a Jerome Robbins evening on Thursday at the Théâtre des Champs Elysées (47203637). *Carbonne 14* arrives with a dance-theatre productioo – The Dormitory – from Canada at the Théâtre de la Ville (48875442).

Vienna

Staatsoper. *Le Nozze di Figaro* is conducted by Ivan Fischer, and sung by Margaret Price, Thomas Hampson and Horst Nitsche *Rigoletto*, conducted by Leopold Hager, has a cast including Patrizia Pace, Waltraud Winsauer and Hans Christian. Mussorgsky's *Chowanschtschina* is conducted by Claudio Abbado and sung by Ludmila Schemtschuk, Heinz Zednik and Joanna Borowska.

Volksoper. The weeek's performances include *Die Zirkusprinzessin* by Kalman; *Die Fledermaus*, *Die Zauberflöte*, *Der Zigeunerbaron*, *Hoffmanns Erzählungen*, *Die lustige Witwe* and *Die Csardasfürstin*.

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera conducted by Sylvain Cambreling in Verdi's *Falstaff*. Jose Van Dam in the lead with Laurence Dale as Fenton, Ugo Benelli as Dr Cajus, Elzbieta Szmytka as Nannetta and Livia Dudai as Mrs Quickly. Staged by Ilvis Pasqual (Sun, Tues).

Berlin

Opera: The new season starts with Jean Pierre Ponnelle's *Fidelio* production with a cast led by Janis Martin (Leonore), Carol Malone (Marzelline), Spas Wenkoff (Florestan), Jan-Hendrik Rootering(Rocco) and Gerd Feldhoff (Pizarro), conducted by Horst Stein. Themagic flute has fine interpretations by Lucy Peacock, IsoldeSiebert/Elfie Hobarth, Keith Lewis, Barry McDaniel and Gudrun Sieber. *Aida* stars Julia Varady in the title role, Bruna Baglioni, Giorgio Lamberti, George Fortune and Julien Robbins. *Zar und Zimmermann* rounds off the week.

Hamburg

Der Troubadour is steered to triumph by Giorgio Zacanaro, Franco Bonisolli, Sharon Sweet, Nina Terentjewa outstanding in the leading roles. *Der Barbier von Sevilla*, sung in Italian, has wonderful Gilbert Deflo production.

Bonn

The new *Aida* production, by Jaques Karpo brings Rosalind Plowright, Livia Budai, Lando Bartolini together and is expertlyconducted by Bonn's music director Dennis Russell Davies.

Frankfurt

Britten's *Ein Sommernachtstraum* is respectable with singers Jochen Kowalski, Audray Michael, David Bennent, Vladimir deKanel. Gyoergyi Benza repeats her much praised performance as Mimi in *La Boehme*.

Cologne

The rarely played one act operas by Rossini *La Cambile di Matrimonio*/*Il Signor Bruschino*, feature David Kuebler,John del Carlo, Teresa Ringholz, Janice Hall and Alberto Rinaldi. Also *Madame Butterfly*.

New York

New York City Opera. The mixed repertory resumes this week with *Die Zauberflöte* conducted by Scott Bergeson in Lofti Mansouri's production with Elizabeth Hynes and Walter MacNeil; *Il Barbiere di Siviglia* is conducted by Sergiu Comissiona as well as *Mefistofele* and *La Traviata*. Lincoln Center New York State Theatre (877 4700).

Washington

Ennosuke's Kabuki. *Traditional kabuki combined with modern techniques is the hallmark of the company, now led by the descendant of its original founder.* Ends Sept 24. Kennedy Centre Opera House (254 3770).

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (836 2294).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

A Flea in Her Ear (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. Jim Broadbent leads good cast as the discomfited insurance manager and his doppelganger, a drunken *hotel porter. An interesting,* enjoyable, unfairly derided experiment (928 7616, cc 240 7200).

Veterans Day (Haymarket). Imperfect Donald Freed nationalistparanoia play about three veterans gathered to bump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a *male Chinese spy* (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

Washington

The Cocktail Hour (Eisenhower). The original Broadway cast including Nancy Marchand and Keene Curtis bring in A. R. Gurney's latest comedy of manners, in which a writer asks his family's *permission to write about* them. Ends Sept 23. Kennedy Center (254 3670).

Tokyo

Kabuki. Kabuki-za. Both the 11.00am and 4.30pm performances are mixed programmes this month. The highlight of the evening show is undoubtedly Cho no Michiyuki (The Butterflies' Journey), a gorgeous dance piece about two lovers whose transformation into butterflies is a symbol of death. (541 3131).

Bunraku. National Theatre (265 7411). The matinee performance at 12 noon offers a rare opportunity to see one of the classics of the puppet theatre in its entirety. Futatsu Chocho Kuruwa Nikki (The Two Butterflies) is famous for a scene in which two puppets wrestle. The 5pm performance is a mixed programme featuring tales of revenge, suicide and murder! Earphone commentary and programme notes in English help the uninitiated.

Maly Theatre, Leningrad. One of the USSR's oldest and most innovative companies in an adaptation (in Russian) of William Golding's Lord of the Flies (Tues), in repertory with two new Soviet plays, Stars in the Morning Sky (Wed, Thurs) and the epic six-hour Brothers and Sisters. Ginza Saison Theatre (535 0555).

EXHIBITIONS

London

The Hayward Gallery. Andy Warhol – two years after his death, a comprehensive retrospective of the career of this seminal yet ambiguous and still controversial artist, since he turned to painting from graphic design in the early 1960s. Sponsored by BP. Daily until November 5.

The Serpentine Gallery. "Success is a career in New York" – this study of Andy Warhol's early career as a graphic designer and illustrator in New York in the 1950s is complementary to the retrospective at the Hayward and essential preparatory viewing. Sponsored by West Industries. Daily until October 1.

The Royal Academy. Gauguin and the School of Pont Aven – a fascinating study of the prints made in the 1880s and 1890s by the loose society of artists that came together at Pont Aven in Brittany, of which Gauguin was the leading but not necessarily, at the time, the outstanding figure. Daily until November 19.

Manchester

The Whitworth Gallery. The Last 100 Years – a celebration of the centenary of Manchester University's great gallery through four small displays taken from its study collections: Drawn to Paper – a selection of British drawings and water-'colours 1900-1939; A Century of British Printmaking; The Magic Influence of Mr Kydd – blocked and stencilled wallpapers 1900-1935; and Modern Art & Textile Design 1930-80: throughout the summer.

Paris

Institut du Monde Arabe. Egypt. Egypt. An exhibitionof 25 chef-d'oeuvres, including the most recent finds, startswith statues and bas-reliefs dating from the middle-empire,continues with a golden crown of a high priest of Osiris withsome elements of Roman art and Coptic icons and concludeswith Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closedMon). Ends Jan 14 (40518838).

The Louvre. The glass pyramid, *built by I.M. Pei*, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Open 9am-9pm, Mon and Wed until 9.45pm, closed Tue.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. Ends Nov 19 (026-223978).

Brussels

Espace Bizarre. Japanese Kimonos (1930-1960) closed Sunday. Ends September 29.

Trewern-Aisinber Fine Arts. Le Cercle des XX, late 19th century Belgian Painters. Closed Mon, Sun. Ends Oct 31.

Musée du Costume et de la Dentelle. Women and Equality 1789 - 1989. Ends Sept 24.

Bonn

Beethovenhalle Bonn. 50 portraits of Beethoven by the American pop artist Andy Warhol. In addition to the Bonn Beethovenfest, an Andy Warhol exhibition is taking place until October 1. The Bonn gallery owner Hermann Wuensche commissioned these Beethoven portraits from Andy Warhol for Bonn's 2,000th anniversary. After a year of intensive study of Beethoven, he completed a series of coloured graphic works before he died last year. They are based on the 1821 original, by K.J. Stieler, showing the composer aged 48.

Vienna

Secession. The highlight of the next few weeks will be the 100th *anniversary of the birth of Ludwig Wittgenstein*, the philosopher, architect and craftsman who until recently had not been appreciated by his fellow countrymen. The indomitable staff at the Secession, the wonderfully renovated gallery where Vienna's radical and anti-establishment artists set up their workshop at the turn of the century, finally raised the funds to organise this long overdue exhibition. Ends October 29 and not to be missed.

The Technisches Museum. Although not the most elegant of Viennese museums, has put together an exhibition exploring the relationship between art and industry and how industry has tapped the imagination of the artist. It is particularly interesting having Austria's post-war generation represented under one roof. Ends October 26 1989.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some examples of German neo-expressionism. Until Oct 2.

Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. This absorbing exhibition covers the years 1775, when Pius VIth's long reign began, to 1799, and attempts to show how the conflicting influences of the papacy and the revolution in France affected the Roman theatre. The exhibition opens with a coloured lithograph of the Pope's triumphal procession, immediately after his election, alongside the edict which condemned to death the supposed author of a tasteless masque written for the occasion (the true author of which was said to be Prince Chigi). The Roman cultural scene was lively but frivolous, ballet and spectacular theatre in general being much preferred to classical plays or opera. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture, *built for* carinaval masques and later burnt, portraits of contemporary composers such as Cimarosa and Paisello, and a Perseus and Andromeda by the sculptor, Chinard. Ends Sept 30.

Turin

Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. The works are hung on suspended panels of white gauze, divided into 22 more or less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Many of the early figurative paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape, notably Vasiliev's Autumn Woods, Nesterov's pensive girls in traditional dress at the lakeside and Vinogradov's inviting summerhouses on the slopes of the Crimean hills, with their unexpectedly luxuriant gardens. Cosmopolitan and sophisticated, Russian artists could hardly have been in closer contact with contemporaries in France and Germany. Matisse was in Moscow to install his two paintings, Music and Dance in the house of the collector, Sergei Sukin, and two symbolist works on show by Petrov-Vodkin, Youngsters and The Thirsty Fighter contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibition. There are two portraits, one by Serov, elegant and devilish, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes: Petrushka (1911) and Pavillon d'Armide, by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers, at the Marinsky theatre. A number or remarkable portraits stand out, from Vladimir Tatlin's empty-faced Sailor to Altman's faintly expressionist portrait of the poetess Anna Achmatova (1914), with its intense blues and yellows, Serov's mournful Grand Duke Pavel Alexandrovich and Chagall's Red Jew. Chagall has a section to himself, which includes a number of charmingly domestic scenes, such as The Datcha Window, as does Kandinsky, with three fine works. Ends October 20.

Venice

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

Florence

Forte di Belvedere. African Art: The Roots of Modern Art. One hunded and fifty sculptures, mainly in wood, produced by 66 different tribes spread through central, western and southern Africa. The works, lent by 12 major museums and 21 private collections, date for the most part from the last two centuries, but with an introductory section containing works from the third century BC. Not difficult to understand the profound influence these precocious abstract works hadon such artists as Picasso and Brancusi and Braque. Ends Oct. 29.

New York

Whitney Museum. A special *exhibit from the museum's* extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.

Tokyo

Teien Museum. Arts of Edo/ Tokyo. A celebration to mark four centuries of creativity in former Edo – present-day Tokyo. The Teien Museum has one of the world's finest art deco interiors and a pleasant garden. Closed Mondays.

National Museum of Western Art. Delacroix and French Romanticism. Japan's contribution to the bicentenary celebrations of the French Revolution is an impressive enough survey, even though hampered by a lack of really major works. Closed Mondays.

Bunkamura. The Museum. The Tale of Genji and Murasaki Shikibu. The opening exhibition at Tokyo's brand-new arts centre is devoted to one of the classics of Japanese literature and its authoress. On display are manuscripts and scrolls depicting episodes from the novel, as well as costumes and other daily items illustrating life in the 11th century.

ARTS

Gillian Bevan, Sophie Thompson and Jerome Flynn

As You Like It

ROYAL SHAKESPEARE THEATRE, STRATFORD-UPON-AVON

Continuing on his brilliant hot streak, Royal Shakespeare Company associate director John Caird follows his deliriously enjoyable *Dream* in the Stratford-upon-Avon main house with another night of full-blown, joyous entertainment in the Forest of Arden. This *As You*, however, is not all surface rollicking.

The journey of deepening awareness and comic discovery is fully undertaken by a Rosalind who is one of the best Stratford has seen. Making her RSC debut in one of the most complex and demanding of roles, Sophie Thompson scores a personal triumph unmatched here since Antony Sher's Richard III. She may be Emma's younger sister, but she is her own actress, a performer of blazing comic personality, powerful voice, dimpled, darting radiance and quixotic charm, though not, she roundly admits, "more than common tall."

Most productions of this play hurry quickly to Arden, where the design work starts. Not here. You enter the theatre to see a stage full of bossa nova and tango dancers in black evening dress gliding around to the strains of an onstage combo under a huge metallic "real time" clock. Ultz's art deco walnut panelling blocks out the dark forest and establishes the usurping court as a nasty, John-Godber-ish suburban outpost where "Come Dancing" fests and wrestling matches are policed by thugs in dark glasses and supervised from a stage box by a duke who has commissioned his own national anthem.

All this takes time to convey, with house lights up and actors dashing through the audience. But the enforced past-times of the court will strike a resonant, preparatory contrast with the suspended animations in the forest, where the society of men must be re-defined to accommodate new-forged relationships. And not before the floorboards have been ripped up, either. The wrestling match is a phoney war, with interpolated cries of "Come on, Charlies" and "Break it off" suggesting that ghastly marketed atmosphere of small town halls, Kent Walton's TV commentaries and the Romford empire of Barry Hearn's snooker players.

The scenic diversions in the black dry-ice hole of Arden are the inhabitants themselves, whom Rosalind and Celia first spot while crouching behind their luggage. Mark Williams, whose vigorously ecstatic Touchstone is a stand-up comic with stand-up hair and a generous supply of farmyard impressions and red noses, captures the crucial energy of the dislocated court clown; to watch George Robey as reinterpreted by Ian McDiarmid. An outstanding performance.

Other educative side-shows are provided by George Malpas's bottle-nosed Brummagen Corin and the gleefully outsize Audrey of Joanna Mays. The re-birth of honest rule is heralded by the sly, linking and traditional occupation of both Dukes by Clifford Rose (whom I happily associate with so much early RSC work). But showbiz is re-launched, too: Andrew Tansey doubles the wrestler with a "new baroque" Hymen, leading a masque of infant cherubim in Ilona Sekacz's measured, jangling anthem. The healing balm of resolution brings promise of better theatre.

There is a confident, up-front buoyancy about these episodes that is both seductive and infectious. Even Hugh Ross's stagily major-domo-ish Jaques, an acidly Priestleyesque outsider in a swirling coat and black fedora, refuses to apologise for his most famous speech, thus making a clean break with recent RSC practice. Gillian Bevan is an agreeable, supportive Celia, but she and Miss Thompson play down the conspiratorial side of the relationship so thoroughly explored by Fiona Shaw and Juliet Stevenson in 1985. Jerome Flynn, who resembles a young Richard Harris, is a briskly attractive Orlando.

I note that in recent columns I have been going on a bit about new young comediennes, citing Brenda Blethyn and Serena Evans. Sophie Thompson, then, joins an exalted company of tomorrow's Deuches and Smiths in a performance that ripples with invention, bubbles with high spirits and delights at every turn.

Michael Coveney

La Juive

BIELEFELD CITY THEATRE

The reputation of the French-Jewish composer Jacques François Fromental Halevy shows how unpredictable operatic fashion can be. From the première of *La Juive* at the Paris Opera in 1835 right up until the late 1930s, Halevy was popular repertoire. For the past half-century, he has been largely forgotten.

In Germany, Halevy's music disappeared almost overnight in 1933: just one more facet of the Nazis' impact on 20th century musical history, the real extent of which is still awaiting proper assessment. But it does not explain why major houses elsewhere – not to mention the leading post-war lyric tenors – have neglected *La Juive*. This state of affairs may be changing. Last year, Halevy's comic opera *L'Eclair* was staged with considerable success in Freiburg. Now Bielefeld has produced *La Juive* and next month Philips are to release a new recording of it, with Jose Carreras as Eleazar, the Jewish goldsmith whose defiance of christian persecution leads him and his daughter, Rachel to their deaths.

The theme of rabid anti-Semitism is central to *La Juive*, so it is hardly surprising the Nazis did not want the German stage to be polluted by it. Scribe's libretto, with its undercurrent of christian hypocrisy, was to prove uncomfortably prophetic, a fact not lost on the Bielefeld producer John Dew. Moving the story forward from 15th century Constance, Dew dresses the chorus in the clothes of the German bourgeoisie of the 1930s. The Imperial Guard becomes Hitler's SS. Eleazar's shop front – a slanted, abstract corrugated panel, which the designer, Gottfried Pilz, uses as a centre point for the whole evening – is daubed at curtain-up with the word "Jude." The last two acts are set in a concentration camp, with Rachel's body dangling from a hangman's noose at the final curtain. More than 40 years after the Nazi era, this is still strong stuff for a German audience.

With commendable restraint, however, Dew resists pushing the Nazi parallel to its limits. The opening act, in which Eleazar and Rachel are nearly lynched, did seem an awkward marriage between modern dress and the musical conventions of French grand opera. Some of the references in the text (sung in a new German translation) required a leap of the imagination. But the setting quickly developed a character and personality that over-rode such passing incongruities. As with so much opera of the period, the "grandness" is merely a frame for intimate drama. Here the performance revealed *La Juive* to be a moving and highly-charged score, through which the human emotions and situations ring unmistakeably true.

The public scenes, with their broadly conceived choral ensembles, their debt to Cherubini and the occasional lapse into operetta music, call for a richer, more spacious spectacle than Bielefeld could provide. But the solemn ritual of the Passover feast in Act 2, and the set-piece scenes of private agony and confrontation which dominate the rest of the opera, were realised with the kind of pared-down directness and commitment that would be easily dissipated in a more opulent setting. These scenes embody the classic operatic conflict between personal longing and moral obligation, and they inspire Halevy to what Wagner described admiringly as "the pathos of high lyric tragedy." The arias of Eleazar and Rachel have a scale and sweeping stature that show grand opera at its concentrated best.

Bielefeld made some swingeing cuts, including the ballet, but the evening lost nothing in the process. The American tenor James O'Neal gave an outstanding performance as Eleazar, holding the stage with the stoop and stubbornness of an old man and using his firm voice to intensify the characterisation. Although Christine Weidinger's soprano seemed light for Rachel, she showed considerable potential as a singing actress. The opera also offers two Donizettian bel canto roles: Donald George made an elegant case for the second tenor part, and the attractive coloratura soprano was Susan Burghardt. A young bass, Gidon Saks, sang Brogni, the Cardinal who becomes unwittingly embroiled in the tragedy. Rainer Koch conducted with sensitive dynamic control, but the lower strings sounded in need of attention.

Unlike several of its other recent exhumations, Bielefeld has proved that *La Juive* is much more than just a curiosity from the neglected past. On this evidence, the work has an undeniable lure on stage. It seems tailor-made for the current team at the English National Opera. Domingo would do well to follow Caruso and make Eleazar a special cause. There's no reason why one of the more enlightened major houses should hold back any longer.

Andrew Clark

Richard Goode

WIGMORE HALL

Richard Goode is one of the resident pianists for the Wigmore Hall's very own version of the Beethoven experience, "For a Later Age", centred upon the Lindsay Quartet. His recital on Wednesday ranged carefully across Beethoven piano sonatas from Op.31 to Op.110, and added the Op.126 set of Bagatelles for good measure. He is a widely respected pianist; his previous London recitals have been warmly received. But on this occasion his playing did not live up to those expectations: though it progressively became more convincing as the recital went on, it never came together to become coherent and perceptive Beethoven interpretation.

His approach to Op.31 no.3 imprinted "Sensitivity" upon every page, with expressive points placed in quotation marks, and the whole work seemingly packaged with a self-satisfied smile. In the seeking out of arch expressivity the sonata lost its outlines, and while every work in the programme tended to have its sharper corners dissolved away, the tendency was never so pronounced again.

The Appassionata gathered itself more coherently, but was still too inclined to be diverted by the byways at the expense of the central dramatic thread, and even the Bagatelles sometimes failed to make their points within such concentrated spans. Some pieces would be conceived most eloquently – Goode has an agreeable, pellucid tone which should lend itself to exemplary unfoldings – but fail to make the clinching point; others appeared to start from the wrong premise altogether.

Op.110 also pursued a similar uneven course: never wilful or coarse-grained, but never either insightful or suggestive. Goode's playing does have a tendency to hypnotise itself – the wandering modulations of the first movement were never allowed to touch firm ground, or function as part of the tonal plan, and the scherzo bounded and skipped with no real energy behind it.

Yet just when one would begin to interest in the performance altogether Goode would throw in a rapt presentation of, for instance, the first statement of the fugue, only to destroy that illusion with a out-of-scale continuation, just when some genuine transcendence seemed within reach.

Andrew Clements

Alastair Muir

Imelda Staunton as Luba in "The Lady and the Clarinet," Michael Cristofer's smart and funny American boulevard comedy which opened at the King's Head Theatre, Islington on Wednesday after scoring a notable success on the Edinburgh Festival fringe. In a vivacious technical, emotional and comic display, Staunton re-lives three tales of amorous woe to the sympathetic warbling of a clarinettist whom she has hired to help launch a dinner date with her latest admirer. He never shows, but the other three, impeccably well played by David Thewlis, Dan Mullane and Bill Thomas, do. Cristofer, who wrote the screenplay for "The Witches of Eastwick", has written the first entirely feminist Neil Simon comedy. Staunton's a star. M.C.

Ennosuke's Kabuki in New York

The Kabuki Theatre in Tokyo, like the Bolshoy Ballet, sends abroad different groups headed by one or another star, or cluster of stars. The company that played at the Metropolitan Opera in New York early in September, and is to perform at the Kennedy Center in Washington DC from September 20-24, was billed as Ennosuke's Kabuki, after its principal actor Ichikawa Ennosuke III, a member of one of the most illustrious Kabuki dynasties which goes back six generations.

This Ennosuke, like his ancestors, is known for introducing certain innovations into his performances. Some of these innovations may not be readily apparent to the inexpert Western spectator; it would seem that, like classic ballet choreographers bent on reform, Ennosuke works within the theatre's traditions. He has not, for instance, dispensed with such time-honored effects as the mie, for which "pose" or "attitude" would be inadequate translations – the kind of one-man tableau which the actor assembles piece by piece until he reaches complete stasis, like a freeze-frame in a movie.

This programme consisted of two plays, or parts of plays: three acts of the epic *Yoshitsune Senbonzakura* and the dance drama *Kurozuka*. Ennosuke's revitalisation seems to take the form of a measure of streamlining – even so, the complete five-act version of the first play runs eleven hours – and of an enlargement of the physical aspects of his performance. In *Yoshitsune*, he plays two parts (he has been known to play as many as 18 in a single play): Tadanobu, loyal retainer of the eponymous Yoshitsune, a warrior hero in exile, and Genkuro, the retainer's double, who turns out to be a fox in disguise. (One of the confusing things about the play is that Yoshitsune was a historical figure.) It is in the second characterization that Ennosuke has introduced his new or developed techniques: acrobatic stunts, astounding quick changes, and so on.

The characterization is achieved through movement – he skips about in a crouching position, spins on one knee, holds his hands like paws – and vocally – he speaks in a high-pitched voice rather like that used by the actors who play women's roles. He appears and disappears through trapdoors; at one point he goes through a wall, like Petrouchka in his cell; at the climax of the first act, he flies on a wire. (Surprisingly, this technique, known to European theatre for at least two centuries, is said to have been introduced into Kabuki by Ennosuke in 1968; in Tokyo, I was told, he flies out over the audience in one play.)

Ennosuke performed the same repertory on a previous visit, in 1977, when he played the Beacon Theatre, a former picture palace. There, only one act of *Yoshitsune* was given, and the scenic effects were considerably more modest. Indeed, the presentation at the Met was more spectacular than we have seen in any previous visit by the Kabuki. The set for the first act moved off into the wings, as Ennosuke flew above it in the opposite direction; the second act set then rose on a lift from below; when it descended again, the third act set moved forward from the back of the stage. (The scenery, by Shunichiro Kanai, was especially constructed for this engagement, to utilise the Met's technical facilities.) The costumes are as sumptuous as ever. Ennosuke's fox costume is an elaborate arrangement of white fringe. There is a chorus of little foxes, played by local children, who are endearingly dressed in what look like union suits (or what we used to call "combs"), with tails instead of rear-end flaps.

Yoshitsune, like many Kabuki plays, was originally presented in the Bunraku puppet theatre, in 1747, and taken into the Kabuki repertory a year later. *Kurozuka*, on the other hand, was originally a Noh play, but this adaptation dates only from 1939, when the present Ennosuke's grandfather played it. This play also deals with the familiar Kabuki theme of duality: its central character is an old woman who is a demon in disguise. In one powerful, almost cinematic moment, he pauses as he exits along the hanamichi, the runway that goes out through the audience, and casts a fleeting glance of suspicion back at the group of priests who have sought shelter in the old woman's hut. He returns as the demon with long, matted hair, his face a mask of fury and hatred.

Ennosuke is clearly a master of the kinetic aspect of Kabuki; what I missed here was that stillness that has given the most moving manifestations I have seen of this and other Japanese theatrical forms – Bunraku no less than No – the quality of a profound meditation on man's fate.

David Vaughan

Moonplay

ICA THEATRE

This quirky 90-minute allegory is presented by the Open Stage "Obala," a multi-media centre in Sarajevo. The director is Mladen Materic whose Tattoo Theatre has enjoyed success on international stages including festive Edinhurgh. The ICA now plays host to an engaging young company that illustrates why actors enjoy working with Materic in his capacity as workshop orgauiser and teacher. The tougue-in-cheek Sci-Fi fable is performed with beautifully judged and relaxed naturalism that keeps the interplanetary fable from portentousness and involves our sympathies with the characters as all too recognisable human beings.

Captain Scot (sic) seems to be an alien who lands in a communal hack yard serving three houses. He is on a mission to combat some undefined evil on earth and to protect the good.His thoughts (a "secret diary") and those of his control, Orion, are projected in scrawled handwriting on the blue background. We soon realise that he is less a space crusader than a Yugoslav Adrian Mole in love with his own fantasy. The subtitles take on the function of comic-strip balloons, complete with excitable orthography ("Take the leftenants away from the cluches of the disease") and stylised ejaculations ("La la la – La la – La la la – hey hey").

The two young couples who share the yard drink coffee, picnic, use the pump, husy themselves, sometimes flirt with another's partner and occasionally scuffle. The serpent in this Eden is Livia, the uew neighhour, a smartly dressed air hostess who introduces such sophistications as chocolates, a TV aerial, *Vogue* and sexual rivalry into the little community. Scot identifies her as the enemy and the girl who sells Red Cross flags, taken on as Livia's skivvy, as an ally from Orion. Under stress from the vampish Livia the young couples hreak epart hefore coming together again. Scot, played with a sweet wondering earnestness and shy dedication hy Davor Dujmovic, is left sadly isolated.

The fable is played out with natural rhythms, a varied musical background (songs in several languages; Arah pop and reggae) and a set hy Materic and Ivan Cistopoljski that combines the work's mixture of realistic and allegorical. The three hoose-sections, each with its door, have their tatty exteriors peeled off to reveal gleaming polished walls as things get better or as neighbourly rivalries set in (Livia's is the flashiest). The piece runs until September 23.

Martin Hoyle

ARTS GUIDE

September 15-21

MUSIC

London

Ravi Shankar; Jubilee recital, with Shubho Shankar, Durga Lal and Kamar Bose. Barbican Hall (Fri) (01 638 8891).
The Philharmonia conducted by Sir Charles Groves, with Ida Haendel (violin). Nicolai, Mendelssohn, Walton, Vaughan Williams, Tchaikovsky. Barbican Hall (Mon) (01 638 8891).
English Chamber Orchestra directed by Philip Ledger. Handel, Mozart, Vivaldi. Barbican Hall (Wed) (01 638 8891).
London Symphony Orchestra conducted by Michael Tilson Thomas, with Vladimir Feltsman (piano). Brahms. Barbican Hall (Thur) (01 638 8891).

Paris

Bamberg Symphony Orchestra, choir and soloists conducted by Georges Prêtre, performing Brahms' Requiem (Mon) Salle Pleyel (45610630/45638873).
Orchestre National de France, Radio France choir conducted by Michel Plasson performing Poulenc's Dialogues des Carmelites (Thur) Salle Pleyel (45610630)
Paris Ars Antiqua performing Music of the Troubadours, 15th century music at the Court of Burgundy, 16th and 17th court and village music (Mon); French Medieval songs, Shakespeare and Elizabethan music (Wed); music from the Crusaders' period, Guillaume de Machaut, golden age of Spanish music 16th century (Thur). Concerts take place at 7.15pm and 9.15pm in the Sainte Chapelle. 4, Bd du Palais.

Brussels

RTBF Symphony Orchestra conducted by Miklos Erdelyi with Ingrid Haebler (piano) plays Kodaly, Mozart and Rimsky-Korsakov. Maison de la Radio (Fri).
Saito Kinen Orchestra conducted by Seiji Ozawa and Kazuyoshi Akiyama with Katsuya Yokoyama (Shakuhachi) and Kinshi Tsuruta (biwa) perform Brahms, Shubert and Takemitsu (Sun) Palais des Beaux - Arts.
La Chapelle Royale and the Ensemble Musique Oblique conducted by Philippe Herreweghe performing Bruckner. Palais des Beaux - Arts (Tues).
Moscow Philharmonic Orchestra conducted by Dimitri Kitaenko with Nobuko Imai (viola) playing Bartok, Prokofiev and Shostakovich (Wed). Palais des Beaux - Arts.
The Monnaie Symphony Orchestra and Chorus conducted by Sylvain Cambreling with soloists perform Mozart. Théâtre Royal de la Monnaie (Thur).

Vienna

Wiener Mozart Orchester conducted by Johannes Wildner. Mozart. Konzerthaus. (Fri).
Wiener Hofburg Orchester conducted by Gert Hofbauer. Miscelleny of waltzes. Konzerthaus. (Sat, Tues.)
Organ Recital by Thomas Holmes. Pachelbel, Buxtehude, Bach. Karlskirche. (Sun).

Frankfurter Feste 1989

This year's Frankfurt Festival with the title of A Common Brotherhood is based on two historic events: the French Revolution in 1789 and the start of the Second World War II 50 years ago.
The programme attempts to explain the historic events and their influence on contemporary culture and society in terms of the struggle for liberty. There will performances of works by Mauricio Kagel, of Britten's War Requiem and Prokofiev's Alexander Nevsky. Most of the Beethoven symphonies will be played by the Concertgebouw Orchestra Amsterdam, conducted by Riccardo Chailly, the Berlin Philharmonic, Leningrad Symphony, the Saito Kinen Orchestra under Seiji Ozawa. The North German Radio Orchestra will perform Krzysztof Penderecki's Polish Requiem, under the composer. Other highlights include a concert version of *Andrea Chenier* starring Renato Bruson, Franco Bonisolli, Maria Guelegina and the Budapest Radio Choir conducted by Gianluigi Gelmetti, as well as Handel's rarely played *Tamerlano*. There will be also be contemporary music by Wolfgang Rihm, Mauricio Kagel, Michael Sell and Antonio Madigan. Experiments, musical theatre, chamber music, exhibitions and open-air music round off the programme. Alte Oper: tickets Frankfurt 069/1340-400. Ends Oct 8.

Bonn

Beethovenfest will be the highlight of Bonn's 2,000th anniversary celebrations, with around 80 concerts. Bonn, Beethoven's birthplace, focuses on a wide range of his works, played by international orchestras, while Beethoven's works will be juxtaposed with those of a contemporary composer, who this year will be Leonard Bernstein.
Among the orchestras appearing are: Berlin Philharmonic under Lorin Maazel, Royal Concertgebow Orchestra Amsterdam, conducted by Riccardo Chailly, the London Classical Players, the English Baroque soloists and the Monteverdi Choir of London, conducted by John Eliot Gardiner, the Vienna Philharmonic under Leonard Bernstein, the Dresden Philharmonic, the Bonn Beethovenhalle Orchestra under music director Dennis Russell Davies, who is also the artistic director of the festival. Soloists include Alfred Brendel, Andor Foldes, Krystan Zimerman, Janos Starker, HannaSchwarz, Cheryl Studer, Bernd Weikl and Reiner Goldberg. Sept 10 to Oct 2. Tickets: Konzertkasse Tel: 0228/775756.

Berlin

Berlin Festival until Oct 2 will be a forum of 'East meets West'. This week's performances include Kurt Sanderling conducting the Berlin Philharmonic with Miriam Fried (violin) in Brahms, and Rachmaninov (Fri, Sun), pianist and conducter Alfred Brendel with the Orpheus Chamber Orchestra, playing works by Haydn, Mozart, Copland and Prokofiev (Mon), a Dietrich-Fischer Dieskau Lieder recital, accompanied by Alfred Brendel in Schubert's Die Winterreise (Tues), and Sergiu Celibidache conducting the Munich Philharmonic (Wed, Thur).

Milan

Myung-Whun Chung conducting Dvorak, Shostakovich (Fri and Sat) and Carlo Maria Guilini conducting Brahms (Mon-Thur). Teatro alla Scala (80.91.26).

Venice

Basilica di san Marco. Peter Schneider conducting Mozart's Requiem, with soprano Amelia Felle, mezzo-soprano Gloria Scalchi and bass Natale de Carolis (Fri and Sun).
Sale Apollinee. Piano recital by Alexei Sultanov, winner of the Van Cliburn prize this year, playing Haydn, Chopin, Scriabin, Liszt and Prokofiev (Fri).

New York

New York Philharmonic. Season opener with Zubin Mehta conductor with Jessye Norman (soprano). Wagner, Mahler, Mozart (Wed). Avery Fisher Hall (874 2424)

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Brahms, Thompson, Dvorak (Tue); Bella Davidovich (piano). Chopin, Bruckner (Thur). Kennedy Center Concert Hall (254 3776)

Tokyo

Tokyo Philharmonic Orchestra conducted by Tadaaki Otaka, with Bruno-Leonard Gelber (piano). Beethoven. Bunkamura (Mon) (461 0300)
Vladimir Feltsman (piano). Moussorgsky, Messiaen, Beethoven. Suntory Hall (Mon) (505 1010)
NHK Symphony Orchestra conducted by Kazufumi Yamashita. Mozart programme. Suntory Hall (Tues) (505 1010)

Gerald Finley

WIGMORE HALL

The current Beethoven Festival at the Wigmore runs to lunchtime concerts too – not so well discovered yet as the BBC's Smith Square series: music-lovers straying in the West End should take notice. Wednesday's recital was the only representation of Beethoven's songs in the festival, and it also orovided a new occasion to admire a bass-baritone of great promise. The young Canadian Gerald Finley made a notable mark, a few months ago, as Papageno in Roger Norrington's South Bank performance of *Die Zauberflöte*; since then he has appeared with credit at Glyndebourne as one of the unlucky suitors in *Arabella*.

Given such an attachment to the Austro-German repertoire, he might improve his "ö" and his "ü", and practise a less dainty "r"; but really there was very little else to niggle at, and his diction is clear and forward. It is a good-sized voice, well undar control, witò a strikingly beautiful and individual, cello-ish timbre – as virile as one expects in this range, but also youthfully romantic. (The emphasis is on *bass*-baritone: his top few notes lacked the succulent character of the rest.) Singers rarely find such passionate warmth in the "Lied aus der Feroe," for example, or "An Minna."

The main offerings, "Adelaide" and the great cycle *An die ferne Geliebte*, were of course excelleutly served by such a voice. Intelligently paced and contrasted, too, with closely matching accompaniments hy Brian Fioley (a cousin); unalloyed pleasure, in fact. The "Opferlied" and "In questa tomha oscura" were delivered with stern, dignified fervour – surely this singer will get round to Beethoven's *Gellert-Lieder* without delay. Omitting them here at least made room for some neglected lesser songs, all of which Finley, and indeed the Finleys, dispatched in appealing style and in expertly distinct manners. This is a voice which should soon be filling halls.

David Murray

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Friday September 15 1989

The engine of world growth

EVER SINCE the end of the Second World War trade has been a driving force in world economic growth. As is shown in this year's GATT report on international trade, one of the most encouraging aspects of the economic performance of the last few years is that it is again led by trade. By 1987, trade in goods and services made up almost 20 per cent of total world output and the ratio is continuing to rise. The challenge to policy-makers – notably those responsible for the Uruguay Round of multilateral trade negotiations – is to ensure that trade will continue to make its unique contribution to the dynamism of the world economy.

Between 1980 and 1988, the volume of world trade rose at an average annual rate of 4 per cent a year, while world output grew at the modest rate of 2½ per cent. In 1988, world output grew far faster, by 5 per cent, but world trade still kept well ahead, growing by 8½ per cent. Even more impressive were world exports of manufactures, which grew by 10 per cent, as against 6½ per cent for world output. One conclusion stands out: protection remains porous and protectionism has been contained.

There are some particularly encouraging features in last year's performance. Reflecting the strength of investment worldwide, trade in capital goods grew faster than trade as a whole (a 20 per cent increase in value as against 16½ per cent for all manufactures), to reach 30 per cent of world merchandise exports. Even big economies like the US, Japan, West Germany and the UK saw imports of capital goods grow far faster than investment (more than twice as fast in the cases of Japan and the UK). Nothing could better indicate the role of trade in growth.

Japan

A second encouraging feature was trade adjustment, particularly by the US and Japan. In 1987 and 1988, the growth of world exports of 5½ per cent and 8½ per cent, respectively, was far faster than that of exports from Japan (½ per cent and 5 per cent, respectively), but far slower than of exports from the US (15 and 22 per cent). For Japan's share in world exports to fall in this way is particularly remarkable.

Finally, the volume of exports from developing countries grew much faster than that of world trade as a whole in 1988. Even the highly indebted developing countries managed a respectable performance, with the dollar value of exports rising above that of 1981 for first time. But this improvement was not enough to arrest economic deterioration, notably in Argentina, Bolivia, Brazil, Ecuador and Peru, all of which experienced import contraction, despite successful expansion of exports.

Trade liberalisation

Every effort needs to be made to sustain the growth of world trade and income and so help these countries to grow out of their present difficulties. This can be managed, but it will require both liberalisation of trade and strengthening of the rules and principles of the multilateral trading system.

What is more, that effort must go beyond merchandise trade. This year's report contains a fascinating discussion of the present role of trade in services. World exports of commercial services, at $505bn, are 19 per cent of combined trade in merchandise and commercial services. "Other commercial services" – largely intermediate inputs like financial services, communications and professional services – have been growing even faster than merchandise trade. The close links between such activities and economic performance underlines the need to liberalise trade in services.

The world economy is approaching a critical juncture. An opportunity now exists to turn what has been a long cyclical expansion into a sustained period of economic growth similar to that of the 1950s and 1960s. There is no technological reason why this should not be possible. Finesse in macroeconomic policy will be essential, but it will be insufficient on its own. Trade liberalisation will be required as well. With the Uruguay Round coming into its last year, it will soon become clear whether policy-makers really are committed to allowing the trade engine to work flat out.

Hard sell for water

NO MATTER that the British people has expressed distaste, via the opinion polls, for the privatisation of the water authorities of England and Wales. It must prepare, for the next two and a half months, to be force-fed on an expensive advertising diet of perks, propaganda and discounts until, on November 22, it meekly subscribes for underpriced shares in one of Britain's least exciting industries.

The coincidence of public disaffection, governmental commitment to privatisation and Labour threats to re-nationalise at below the issue price is undoubtedly a winning combination for the advertising and public relations fraternity, which knows that the private investor must be softened up for the more important flotation of electricity. But what of the taxpayer? For it is hard to see how these huge transaction costs, together with cash injections and write-offs running to £5.4bn, can be justified on the transfer of water to the private sector.

The government could, of course, argue that public antipathy stems from a deep-seated irrational fear, which is by no means peculiarly British, over control of the water supply. And part of the object of the exercise is the encouragement of wider share ownership. A striking feature of the water privatisation is that discounts on the share price are being made directly available to customers of individual water authorities. Yet the criticism that these inducements are no more than incentives to "stag" the issue – subscribing in order to sell at an immediate profit on flotation – have been met by making people wait two or three years for the benefit to come through.

Next election

That sounds like good financial sense; but since the arrangement straddles the next election, it also looks suspiciously like buying votes. Privatising staid utilities may offer a safe, high-yield investment for widows and orphans, but it will certainly not educate people in the workings of capitalism. The existence of discounts and perks adds to the very misleading impression given to the novice of how the wider market in risk capital works.

The real problem arises because the government's efforts to promote wider share ownership have largely been the by-product of a privatisation programme which, in cases like water, is driven by ideology. Nor do ministers appear to have confronted the basic arithmetic involved in the apparently laudable aim of giving citizens a direct stake in the workings of the economy. In cases such as BAA, the stock market was inundated with small lots of shares which were uneconomic to process and on which the dealing costs to investors were prohibitive – a problem which also surfaced on the Abbey National flotation. And because of the priorities of privatisation huge sums have been spent on the promotion of a very unbalanced portfolio which is ill-designed for the needs of many smaller savers for whom the inducements proved irresistible.

Spread of risk

Collective savings vehicles such as investment trusts and pension funds may not seem very attractive animals to the libertarian fundamentalist. But they do offer a spread of risk for the large number of people for whom active share ownership involves excessive risk in relation to their assets. The real question is whether it is necessary to subsidise them with tax breaks to encourage desirable social goals such as pension provision.

To the extent that the Chancellor has left the tax privileges for occupational pensions largely intact, while introducing incentives for personal equity plans (PEPs), he has shifted the tax system a further step towards the desirable if elusive goal of an expenditure tax. But by allowing PEPs to be linked to collective savings vehicles such as unit trusts – among the few to have succeeded, in a period of deregulation, in raising their charges to the consumer – he raises a wider question about the impact of tax breaks. It is a strange system in which it is necessary to resort constantly to perks and tax privileges to make basic investments like shares and unit trusts saleable.

Peter Riddell reports on US worries about foreign investment

The task of matching sense and sensibilities

Foreign investment in the US

Increase over previous year $bn	1987	1988	Total $bn end–1988
UK	15.1	21.5	101.9
Japan	7.0	14.2	53.4
Netherlands	391	1.9	49.0
Canada	1.3	10.4	27.4
Total of all countries	40.3	65	328.9

Source: US Department of Commerce

Direct investment holdings

	Foreign holdings in US as % of host country GDP 1987	US holdings abroad as % of host country GDP 1987
UK	1.7	6.6
Japan	0.7	0.6
Netherlands	1.0	6.6
Canada	0.5	13.7

Source: Morgan Guaranty

SIR James Goldsmith is carving out a special niche for himself in the history of foreign investment in America. His actions have inspired not just one but two restrictive pieces of legislation. His abortive attempt in 1986 to take over Goodyear triggered an amendment to last year's Trade Act. Now his Hoylake bid for BAT Industries has helped revive congressional calls for a reduction in the tax advantages of leveraged buy-outs and for changes in interest deductions and capital gains tax rules aimed at foreigners.

The scale of foreign direct investment in US companies and property has become a big political issue. Sir James's current battle with the many members of Congress opposed to his bid has dominated the headlines. But it is the results of the Exon-Florio amendment – strengthening the official scrutiny of foreign acquisitions – which is causing most concern among foreign investors. The Treasury was receiving criticisms of the draft regulations right up to the deadline for representations last Monday.

According to Mr Elliot Richardson, a former member of the Nixon and Ford Cabinets and now chairman of the Association for Foreign Investment in America, a lobbying group for foreign investors, the regulatory scheme is "of enormous consequence for all acquirers and for all those who finance their acquisitions." He is worried that the rules are so discretionary and indefinite that "there can be no clear title to the property that has been acquired."

Mr Stephen Canner, the Treasury official who runs the inter-agency Committee on Foreign Investment in the US (CFIUS), regards these fears as exaggerated. To him, Exon-Florio is a safety-net, reinforcing other legislation, and is limited to securing US national security interests. His message is of reassurance: there is no desire to block foreign investment.

Traditionally the US has had an open-door policy to investment from overseas. During the 1980s this investment has increased substantially. Most capital inflows have been portfolio investments in stocks, bonds and Treasury bills, which have increased as a mirror image of the US's twin budget and trade deficits. But there has been no clear correlation between variations in the current account and direct investment, defined as overseas holdings of 10 per cent of more in the equity of a company or real estate.

A recent Morgan Guaranty analysis suggests the most convincing explanations for the increase are "the competitive strengths of foreign groups; the magnetism of the huge US market; corporate restructuring responding to, and in turn accelerating, global integration; efforts to skirt trade barriers and get closer to markets; and a growing foreign understanding of US business practices, particularly on the part of newcomers such as the Japanese."

Foreign groups still control a relatively small share of the US market. They own 4 to 5 per cent of total US assets and employ more than 3m Americans – slightly over 3.5 per cent of the workforce.

Moreover, with the exception of Japan, US direct investments abroad have a much larger impact on the host country than do foreign purchases in the US. For instance, holdings by British companies in the US, the biggest in absolute terms, were equivalent to about 1.7 per cent of the American GDP. This was roughly a quarter of the share of US investments in British GDP. The imbalance was even larger for other big investors in the US like the Netherlands, Canada and Switzerland.

The growth of US investment overseas has slowed during the 1980s. At the end of 1980 the total was $215m; by the end of 1988 it had risen to $327m, slightly less than the total of foreign investments in the US. However, these figures understate the true value of US investments abroad since they are recorded at their original purchase price. Because they were bought earlier than many foreign investments in the US, Morgan Guaranty has estimated that the market value of US holdings abroad is probably three times their book worth. Overseas investments in the US may be worth almost twice the recorded figure. The US still receives more payments from foreign investments than it pays overseas.

The Administration and most economists regard such investments favourably. Mr Manuel Johnson, Vice Chairman of the Federal Reserve, has

The scale of foreign investment has stirred deep-seated US fears about a loss of sovereignty

argued that "foreign investment is in effect a form of economic integration which yields gains in efficiency." Moreover, such investment increases the amount of available productive capital in the US economy, leading to lower interest rates than otherwise.

Why the fuss then if Marks and Spencer of Britain owns Brooks Brothers, or Sony of Japan owns CBS Records, or Nestlé of Switzerland buys Carnation?

The answer lies both in specific worries over particular sectors and regions and in a general concern over national security and independence. Approximately a fifth of banking assets in the US are in foreign-run banks, while overseas groups own about half the consumer electronics and cement industries. Nearly half the commercial property in downtown Los Angeles is owned by foreigners, particularly Japanese investors, and roughly a third of the offices, shops and hotels in Houston and Washington DC are similarly owned overseas.

The scale of such investment, and a few highly publicised cases, have stirred deep-seated US fears about a loss of sovereignty. One Republican Senator commented that "once they own your assets, they own you."

An opinion poll last year showed that nearly three-quarters of Americans believed foreign investment had lessened US economic independence. Nearly four-fifths favoured a law restricting foreign ownership of businesses and property.

Professors Norman Glickman and Douglas Woodward, two economists, have argued in a recently published book, The New Competitors, that the scale of job creation has been small since many overseas groups have reorganised and cut the size of labour forces in the companies acquired. These acquisitions have raised the danger of the US becoming a "branch-plant economy" in some sectors with the big decisions and associated research and development being undertaken in overseas headquarters.

Political clamour has arisen in particular cases, such as the Goodyear bid and Fujitsu's abortive attempt to buy Fairchild Semiconductor. In the latter case the Pentagon raised fears about a Japanese takeover of a big defence supplier, though Fairchild was already foreign-owned by a French group. Like the current row over the Hoylake bid for BAT, the argument was less over a sale from one foreign owner to another than over the identity of the buyer.

These controversies were the inspiration for the Exon-Florio amendment to last year's Trade Act. Although CFIUS had existed since 1976 the President would have had to declare a national emergency to block a deal. Under the new law the President can stop foreign acquisitions following a review by CFIUS. The original proposal would have allowed such a decision if a deal appeared to endanger "national security, essential commerce and economic welfare." But after strong pressure from the Reagan Administration the scope was limited to national security.

Foreign owners have been worried about the extent of discretion in the detailed rules. On behalf of the Association for Foreign Investment in America, Mr Richardson has questioned the vagueness of the reference to national security; the Treasury guidance only specifically excludes toys and games, food products, hotels and restaurants and legal services. He points out that "no one can give absolute assurance as to what business activity is or is not important to national security." The regulations cast a wide net in defining what is a "foreign person" and what constitutes control. Deals between foreign groups – certainly Fujitsu/Fairchild and in theory (though unlikely in practice) Hoylake/BAT – would be covered.

Mr Richardson argues that the coverage "could turn out to be very much broader than is generally perceived by the business community and could involve serious traps for the unwary." He maintains that the rules amount to a voluntary screening system, contrary to previous US practice.

The response of the Administration, which never wanted Exon-Florio, is: don't worry, the rules are being applied in a common-sense way. Mr Canner of CFIUS points out that of 100 voluntary notifications in nearly a year, all but five were approved in the 30-day initial review period without the more formal 45-day inquiry.

Of the remaining five, President Bush accepted the committee's recommendation not to intervene in three cases, another preliminary proposal was withdrawn and only in the last case – the takeover of General Ceramics by Tokuyama Soda of Japan – would there have been a hostile verdict. This was because General Ceramics, apparently unknown at first to Tokuyama, had a small unit making components for nuclear warheads. As Mr Canner points out, if anyone wants to know what is national security, that fits the bill. Once the CFIUS's opposition became clear, the acquisition was withdrawn, restructured to exclude the sensitive unit, re-submitted and quickly approved.

The deal shows, according to Mr Canner, how CFIUS tries to deal with such problems in a flexible way so as not to obstruct foreign acquisitions. He stresses that there can be no formal, or legally binding, assurances, but that CFIUS takes into account the views of the parties involved on future plans. Pentagon officials say their main concern is security of supply.

The Exon-Florio provisions are regarded by both the Pentagon and the Treasury as a reinforcement for existing legislation which, for instance, already prohibits transfers of sensitive technology. Exon-Florio only applies when no other laws provide "adequate and appropriate" protection. Only the parties involved in any deal and the agencies on CFIUS can initiate an inquiry. In theory this should stop Congress or competitors from intervening. In practice, they can, and have, lobbied sympathetic agencies.

Mr Canner believes that the record of CFIUS will allay the current fears and show that it is not a screening agency, but rather acting selectively. However, Mr Christopher Wall, a lawyer in Winthrop, Stimpson, Putnam and Roberts, has argued that, while Exon-Florio has been applied sensibly so far, "many foreign companies could over-react to this and read it as a barrier to investment."

Exon-Florio is not the only issue, of course. There are already stirrings on Capitol Hill about possible tax measures. Though they originated before the BAT affair, they have been given a further stimulus by it. These would impose a withholding tax on the sale by foreign groups of investments of more than 10 per cent in US companies and would limit taxpayer's deduction for interest on loans from a parent company.

There have also been proposals to increase disclosure of foreign investments in the US. Both the Administration and overseas governments have argued that the degree of detail involved in such registration would put foreigners at a competitive disadvantage compared with US concerns, thus discouraging investment.

But US sensitivity over foreign investmant remains. For all their efforts at reassurance, even Administration officials concede that the present position is fragile.

OBSERVER

Japanese Nobel

■ There are lots of international prizes for science, and some for literature: there are fewer for the rest of the arts. Very few of them go to, or are awarded by, Japan.

All that is about to change. The names of the first winners of the Praemium Imperiale will be announced today. And it is a rich award to win: $100,000 apiece. For this is the Japanese attempt to set up their own equivalent of the annual Nobel Prizes, only to do so by specialising in the arts.

The initial awards look like being pretty conventional and old hat, but every new development has to start somewhere and the Japanese have begun by playing safe.

There are five international advisers to the committee that awards the prizes. All but one of them is a former European Prime Minister. They are Jacques Chirac of France, Amintore Fanfani of Italy, Edward Heath of Britain and Helmut Schmidt of West Germany. The fifth is David Rockefeller, who nowadays describes himself as a "retired banker".

The body behind it in Tokyo is the Japan Art Association, which had its centenary last year. The individuals are Nobutake Shikanai, the head of one of the country's largest media groups – Fujisankei Communications – and, more actively, his son-in-law, Hiroaki Shikanai. Hiroaki had a spell in London for the Industrial Bank of Japan, and is now the chairman of the Praemium Imperiale Executive Committee.

The ultimate test for this kind of prize is whether the judges can spot the future as well as reward the past. First time round, however, it seems reasonable to expect that the awards will go to established masters. An intelligent guess would be that the prize for music will go to Pierre Boulez, with Sir Michael Tippett running him close. For architecture there is the Chinese-American, Ieoh Ming Pei, suitably crossing the east-west cultures.

There are also $100,000 awards for painting (David Hockney perhaps?), sculpture and theatre/film. The Japanese have excluded themselves from the prizes for the first few years. Quite apart from the arts, Praemium Imperiale says a certain amount about the changing Japanese role in the world.

Howe's house

■ "Sir Geoffrey and Lady Howe have bought a country," the Press Association reported yesterday. But not even the former Foreign Secretary has gone quite that far. He and his wife have bought a country house on the Oxford-Warwickshire border, and were planning to do so even before they lost their official residence at Chevening in the cabinet reshuffle.

Time to fast

■ The New York Times, the arbiter of elegant living in its home city, has produced the definitive list of what a "sensitive host" should consider not serving at lunch or dinner parties because they might offend against health or religion or because they're kind of gross.

These foods are: shellfish, nuts, red wine, cheese, tomatoes, eggplant, garlic, pork, meat and dairy products, caviar, meats, alcoholic beverages, fats, sweets, dairy products, fried foods, beef and other red meat, sauces, butter, caffeine, veal, meat in general, any food being boycotted anywhere, rabbit, squid, snails, sweetbreads, venison, offal, snake, bony fish, artichokes, corn on the cob, fried chicken, soups,

ribs, poultry with bones, spaghetti or other long pasta, tacos, lobster, starches or breads.

Rich Aussies

■ Rupert Murdoch has overtaken Kerry Packer as Australia's wealthiest person, according to the annual list produced by the weekly magazine, Australian Business.

Murdoch's wealth, at an estimated A$3.3bn, is now fully A$1bn ahead of Packer's. A year ago Packer was slightly in front, though both men are much better off than they used to be.

The Murdoch leap is less an example of the rich getting richer than a reflection of the soaring share price of his flagship, News Corporation. "The only doubt about Australia's richest man," says the magazine's editor, "is whether he is an Australian." Murdoch lives in New York, and became a US citizen to gain control of a network of television stations in 1985. He makes the list because the News group is still headquartered in Adelaide.

The only other Australian billionaires are the Smorgon family (estimated wealth A$1bn) – 22 of them, working in a family business in meat, paper, packaging and steel and started by three Russian immigrant brothers.

Beneath them come textile magnate Abe Goldberg (A$600m), shopping centre king Frank Lowy (A$550m), the packaging entrepreneur Dick Pratt (A$540m) and, interestingly, Robert Holmes à Court (A$500m), whom many thought had succumbed to the 1987 sharemarket crash.

Among the biggest falls in the list is Alan Bond, the Perth entrepreneur. This year he ranks at number 158, with wealth estimated at A$50m. Last year he was number 4, with A$400m. John Elliott of Elders IXL, on the other hand, ranks at 63 with A$100m; up from A$80m last year.

The owner of the magazine that publishes the list is Kerry Packer.

Buy British

■ The British Onion Producers' Association (BOPA) has come up with the tale of Ernest "Pop" Rippingale, who has been eating two raw onions a day since the time of Queen Victoria. It also quotes a good deal of evidence that onions reduce the chances of heart disease and relieve asthma. This goes back to the Babylonians and Egyptians who used onions extensively as medicine. Today medical professors in both the US and West Germany recommend onions for heart patients.

But, insists Rippingale, "the onions must be British." And the reason for that seems to be that British onions are stronger than the continental variety. "The stronger the better," says BOPA.

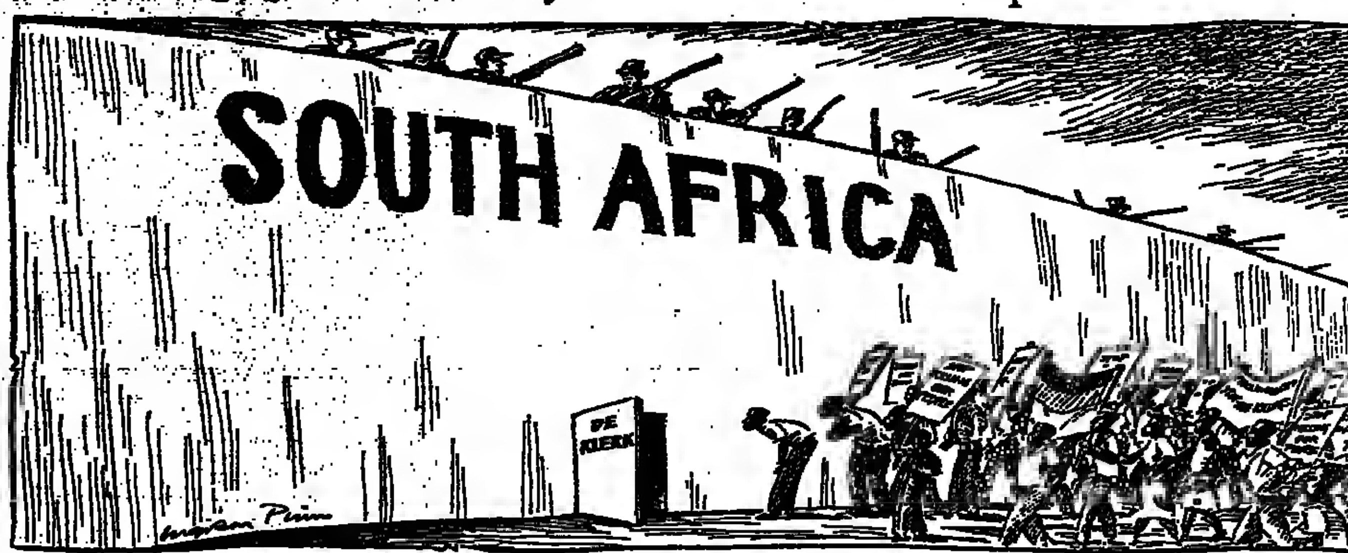
Fitting close

■ Heard in a shoe shop: "I'm sorry, madam, but we don't stock shoes that are small outside and big inside."

POLITICS TODAY

A case of diplomacy and foreign opinion

Joe Rogaly on what may be learnt from the Cape Town march



Distant observers may be forgiven for drawing the wrong conclusions about South Africa this week. A quick reading of the news suggests a most extraordinary turn of events – that Archbishop Desmond Tutu and President F.W. de Klerk looked into one another's eyes and it was not the archbishop who blinked. This would be an electrifying, but incorrect, interpretation of the South African government's decision to order the police to stand aside and let Wednesday's peaceful march through Cape Town take place without interruption.

What actually happened was more complicated than that. Nobody blinked, but on the eve of formally taking office the new President demonstrated a shrewd sensitivity to foreign opinion that his predecessor, Mr P.W. Botha, lacked. This is encouraging news for the British Prime Minister, Mrs Margaret Thatcher, since her strategy for the Republic is based on a belief that persuasion will bring about reform.

Let me explain. The Mass Democratic Movement, which comprises trade unions and other organisations broadly representative of much urban black opinion, launched a campaign of protest demonstrations and marches to coincide with the elections to the white Parliament. One purpose of this "defiance" campaign was to draw world attention to the undemocratic nature of the general election.

This has been achieved, albeit at a terrible cost in bloodshed. There is a dispute about the precise number of people killed by police bullets in the Cape over the past 10 days, but no denial that the fatal shootings took place. My most level-headed contacts in Cape Town refer to the police action as "unnecessarily aggressive." I have limited faith in the internal inquiry that has now been promised, but some hard information will no doubt be available from the inevitable inquests.

Archbishop Tutu and the Reverend Alan Boesak, both leading anti-apartheid activists, decided that the defiance campaign would continue – and that they would make a direct appeal to the outside world. They summoned a number of ambassadors, or their stand-ins, including the representatives of the US, Britain, France and West Germany. They asked for the scrapping of discriminatory legislation within six months and an immediate end to violent police actions. None of the governments concerned disputed the reasonableness of their demands, although a number – including, I suspect, Britain and West Germany – regarded six months as unrealistic.

It is what happened next that is so interesting. Diplomatic questioning of Archbishop Tutu elicited an unequivocal assurance that the proposed march on Parliament would be peaceful; gentle pressure brought about a change of routing, so that the protest ended at the City Hall, rather than at the gates of the elegant colonial enclave that houses the Cape Parliament.

This news was conveyed to the South African Government through a number of calls to various ministers on Tuesday. It was pointed out that there had without doubt been police excesses, and that it was not in the South African government's interest to start what it proclaimed would be a new era with more of the same. One of the principal mediators was Johan Heyns, moderator of the Dutch Reformed Church; another was the British Ambassador, Sir Robin Renwick. The two know one another well and it is not hard to imagine them working smoothly in tandem. At the end of a busy Tuesday President de Klerk gave the go-ahead. He showed understanding of what the world wants to hear by including in his remarks the observation that "the door to a new South Africa is open. It is not necessary to beat it down."

If this means anything it means that Messrs Tutu, Boesak and Co are free to visit the President and place their demands before him. If they understand the rules of the new game that is being set up they will do so at once, even if the result is that they come out through the President's door to announce to reporters that they asked him why there is still a state of emergency, why Mr Nelson Mandela is not yet free, why there is still discriminatory legislation in place and so on. It is their function to put the white Government on the spot, but the nature of the task changes when the leader of that Government is so soft-spoken.

Mrs Thatcher's task is precisely the opposite. She has some influence over the South African government because she has been stubbornly wrong about sanctions. The mild official sanctions now in place, plus the financial private-enterprise sanction of declining to invest in the Republic, have hurt both the economy and the morale of the whites. They want an end to pariah status, an end to sanctions. They fear further pressure of the kind that is being contemplated by most Commonwealth Governments, some Europeans, and much of the US Congress. Mrs Thatcher will continue to hold out against any additional sanctions, most particularly at the Commonwealth conference in Kuala Lumpur in October. She is thus reaping the diplomatic harvest of the pressure exerted by others.

It is perhaps for this reason that there was disquiet in No 10 Downing Street last week when Sir Geoffrey Howe, the former Foreign Secretary, told a luncheon of the Association of American correspondents in London that if Mr de Klerk does not make use of his electoral mandate for reform, then "holding the line against punitive sanctions will be infinitely more difficult." The actual Foreign Secretary, Mr John Major, made no such implied threat in his concurrent remarks, which formally speaking, constitute the correct statement of the British Government position. Downing Street and its new Foreign Secretary believe that, in Mr Major's words, the consequence is that Britain has in many cases "been able to produce more practical influence on the South African Government than other nations."

A more fundamental wrong conclusion would be that South Africa is now set for change at the pace set, in a different context, by Hungary and Poland. That would require an abandonment by Mr de Klerk of everything he believes in, starting with "group rights," the current euphemism for separate development, or constitutional apartheid. Mrs Thatcher shocked the South African leader on his recent visit to London when she told him to get away from "group rights." Her own view is that universal suffrage in a unitary state is not on, as it would mean simple African National Congress domination. She prefers the federal constitution espoused by the Republic's Democratic Party. Just what this means is unclear. Before that one can be thrashed out Mr de Klerk has to bring his own security forces under control, release political prisoners, establish an atmosphere conducive to real talks, and entice genuine black representatives, including the ANC, to the negotiating table – while continuing to maintain his slender Parliamentary majority. I'll believe it when I see it.

Democrats' future depends on Labour

MR PADDY ASHDOWN has had a good week, in the Dan Quayle sense of the word. When the vice-President of the US gets through seven days without any public manifestation of disaster, that is good. So it is with the leader of Britain's shrunken Social and Liberal Democratic Party. Mr Ashdown has worked hard at the SLD conference in Brighton, popping up everywhere, ever working to bring his initially forlorn delegates into some sort of organisational shape.

His party now has a respectable defence policy that should at least not turn votes away. It is probably the party that comes closest to understanding the true nature of the environmental challenge. It has a coherent idea of citizens' rights, of a kind other parties will continue to borrow. In many ways the Democrats are now what much middle-range opinion in Britain has long wanted. In a fair world they would deserve to rise far above their seven or so percentage points in the opinion polls.

The political world is, however, unfair. About a third of the SLD's support has been siphoned off by the egocentric Dr. David Owen. Rather more is denied Mr Ashdown by the Labour Party's move towards the centre. Labour is thus well placed to exploit the unpopularity of the Conservative Government. The upshot is that the future of the Democrats depends upon Labour. If Labour stays ahead the SLD will not regain the impetus of the Alliance. Mr Ashdown, who knows that many people do not take his party seriously, will have to wait a long while before they do.

LOMBARD

The roots of delinquency

By Michael Prowse

ONE OF THE extraordinary facets of life in the supposedly civilised 20th century is society's apathy in the face of crime. In many urban areas the fear of crime – especially among women – is so intense that people live under self-imposed curfews. A healthy society would surely regard such a state of affairs as intolerable. It would make every effort to find out why so many of its citizens resort to crime and then address the fundamental causes of their alienation.

Yet – after 30 years of rising crime – we get neither response in the UK. Nobody seems interested in why people behave in anti-social ways. Crime is regarded as something which "just happens." Everybody faces temptations, the argument runs, but only the weak-willed or those possessing a mysterious "criminal tendency" actually break the law. The way to deal with them is by increasing the severity and certainty of punishment. The philosophy is that the police exist to catch criminals, the courts to sentence them and the prisons to punish them. In its abortive efforts to reduce crime, the Government has therefore increased police manpower, tried to reform the criminal justice system and embarked on the biggest prison building programme this century.

Yet crime is not something that results from the unpredictable behaviour of aberrant individuals. It is highly correlated with a host of social, economic and psychological factors which manifest themselves in the early childhood of offenders.

This point is well illustrated in a recent paper* by Mr David Farrington of the Institute of Criminology at Cambridge. The paper draws on the findings of a long-term study of delinquent behaviour which began in the early 1960s when researchers contacted the families of 411 eight-year-old boys living in a working class area of London. The boys were subjected to a battery of tests at school, and monitored at regular intervals in later life – most recently at the age of 32.

One startling finding is the predictability of criminal behaviour. Mr Farrington identifies six childhood predictors of conviction: socio-economic deprivation, erratic and harsh child rearing, crime in the family, low school performance, high impulsivity, and antisocial childhood behaviour – such as troublesomeness, dishonesty and laziness.

A quite disproportionate number of the boys falling into one or more of these categories ended up with criminal records. To take one example, 62 per cent of the most troublesome boys according to peer and teacher ratings at age 8 to 10 were subsequently convicted, compared with 30 per cent in the rest of the sample. Overall, three quarters of the boys identified as vulnerable to delinquency according to childhood predictors ended up offending.

The Cambridge study supports the view that offending is merely a facet of a much broader syndrome of antisocial behaviour. The offenders differed from their contemporaries at every age. At school they tended to perform less well and be harder to handle. At 18, they were more likely to get drunk, have erratic work histories and multiple sex partners. At 32, they were more likely to be divorced, unemployed and involved in fights. In other words, offending is the way an anti-social personality expresses itself at a certain point in its development; at other stages it may result in other types of social failure – such as marital breakdown.

In public health, the merits of preventive medicine are widely accepted even if public policy continues to focus on hospitals and surgery. In the case of crime, a similar transformation of attitudes is overdue. Training to improve parenting, intensive education and counselling for troublesome children, and more generous social welfare benefits for deprived families all seem likely to reduce the risk of future delinquency. The fundamental lesson, surely, is that crime is largely a consequence of society's complacent neglect of the needs of individuals during their formative years.

**Implications of Criminal Career Research for the Prevention of Offending. 7 West Road, Cambridge CB3 9DT.*

LETTERS

Worrying prospect for the Namibian elections

From Mr John Daly.

Sir, Michael Holman's report (September 13) of the assassination of Anton Lubowski, a senior member of Swapo, the Namibian nationalist party, does indeed raise questions as to security arrangements in Namibia, and to the ability of the UN to enforce law and order fundamental to free and fair elections.

A Nalgo (national and local government officers' association) delegation of two senior British electoral registration officers returned to Britain last week, having spent 10 days in Namibia monitoring the electoral registration process and prospects for the November elections.

They are, we understand, the only independent professional team to have made such a technical assessment. In its report the delegation identifies serious faults with the UN-supervised independence process, not least of which is the problem of intimidation and violence.

Under the UN plan, responsibility for law and order lies with the South West African police force, which is in effect controlled by South Africa, as Michael Holman states; the UN has chosen to interpret the supervisory role of its UN police monitors as preventing them from active intervention, although the UN plan makes specific provision for this.

As a result, all reports to the UN of intimidation are referred to the South West African police for investigation. Senior UN officials, whom the registration officers met, expressed their dissatisfaction and frustration at this system – given their experience of deliberate lack of co-operation from South West African police members towards their UN counterparts, and their open hostility to the UN independence process. Evidence points strongly towards South West African police members, both in and out of uniform, being themselves responsible for much of the intimidation.

Whatever the reason, there is no doubt that the level of violence is increasing and, as Mr Lubowski's assassination indicates, that the South West African police are unwilling or unable to hold it in check.

This situation cannot be allowed to continue if the UN is to fulfil its mandate under United Nations Security Council Resolution 435 to ensure the transfer of power from the illegal South African administration to the Namibian people, by means of free and fair elections.

The Nalgo delegation is calling for UN police monitors to be authorised to exercise their powers, currently vested in the South West African police, to intervene in cases of intimidation and violence and to enforce law and order. To do that, Nalgo believes the UN police must be there in much greater numbers than at present.

J. Daly,
General Secretary, NALGO,
1 Mabledon Place, WC1

Privatising water

From Mr Edwin Hamilton.

Sir, Bryan Gould's article on the water industry (September 14) was a blatant attempt to bully potential investors by threatening to punish them financially if the Labour party ever gets the opportunity to form a government.

Mr Gould makes great play about investment in the water industry without ever referring to just how much his party would be prepared to invest. Judging by tha last Labour administration's record of cutting investment in the water indnstry by half during its final term of office, I am afraid he failed to persuade me of his sincerity towards tha consumer.

Edwin Hamilton,
55 Castle Road,
Colchester, Essex

Differences in shipping rates

From Mr James Bourlet.

Sir, Three cheers for tha EC's decision to investigate the legality of rate fixing by shippers between the US and Europe ("Shipping rates face EC inquiry," September 4).

But I wonder whether the shipping conference organisation regarding these routes (Neusara) is as anti-competitive as the "far east shipping conference" (FESC) which regulates rates between Japan and Europe?

I recently arranged a personal import of a car from Japan to the UK — by co-incidence, at the same time as a friend shipped a similar car from Canada to the UK. Mine cost the "conference rate" of nearly £2,000; his was shipped for just £500 – clearly, a ludicrous distance-cost differential.

It was explained to me in Tokyo hy the shipper that he was bound by the far east shipping conference rates, and that the organisation was geared to "fine" any member found breaking the rules. These rates are particularly high for individual rather than company customers: a relatively small group of especially vulnerable customers in this case.

If the EC is keen to increase the presence and influence of Europeans in Japan one small but useful step should surely be to help reduce one of the costs faced by this already hard pressed group – via an investigation of the FESC.

James Bourlet,
Economic Research Council,
55 St James's Street, SW1

Best by rail

From Mr Richard Griffiths.

Sir, I work in the financial services indnstry, where the principle of "best advice" not only governs the relationship between supplier and customer morally, hnt is also legally enforceable. Some of us wonder whether a similar principle should apply to other industries as well.

For example, on two recent occasions on the Basingstoke-Waterloo line, British Rail has distinguished itself. On each occasion a fast train was running late, and passengers were advised to take the slightly later slow service. Then, halfway to their destination, the fast train overtook the slower train and arrived first.

Should British Rail perhaps be bound by the "best advice" principle in snch circumstances?

Richard J. Griffiths,
37 The Avenue,
Andover, Hampshire

Signed and sealed

From Mr Ronald Willesden.

Sir, Mr I.D.S. Thomson, who tells us that Magna Carta was not signed (Letters, September 2) has obviously not seen a copy of the document.

It may be that King John was unable to write his name on the Great Charter, but the Archbishop of Canterhury could, and did.

Ronald Willesden,
3 Grey Towers Avenue,
Hornchurch,
Essex

Flexibility in all things

From Mr Ian Ferguson.

Sir, Inland Revenue policy must remain cohesive, logical and fair. In the way the working world works, fewer and fewer employees will be with the same company at the end of their career as the one with which they started. Flexibility of the labour force is the order of the day – that means both recruitment and redundancy.

Redundancy creates the problem. The tax man stops collecting his tithe when income stops – and he will not entertain the question of expenses for the unemployed.

For an unemployed person it is an expensive period; it may involve travelling expenses to and from potential employers, along with typing and postage costs. To minimise the period of unemployment, it may be tempting to use a counselling organisation.

The quicker a person gets back into a job, the sooner the Inland Revenue can take part of his or her income away. It seems sensible for afflicted individuals to be able to offset legitimate unemployed expenses against potential income.

Ian Ferguson,
4 Burns Court,
Marine Parade,
Dawlish, Devon

Miles out

From Mr Edward Plumbly.

Sir, Following discussion of the price of Nissan's Maxima in connection with Britain's manufacturing efficiency, could you explain why a one-way bnsiness class fare New York to Stockholm (3,917 miles) is $865, while New York to London (3,458 miles) is $1,466 – a 69 per cent supplement for a 12 per cent shorter trip?

Edward Plumbly,
300 East 82nd Street,
New York City, USA

FINANCIAL TIMES
Friday September 15 1989

Nightmare costs of a free market dream

Kevin Brown and **Andrew Taylor** on problems facing the UK Channel tunnel rail link

THE BRITISH Government's free market dream of a privately owned high-speed railway sweeping across south-east England to a privately owned Channel tunnel could be in danger of going off the rails.

Ironically, the project appears to have been endangered partly by Prime Minister Margaret Thatcher's attempt to placate residents of the county of Kent by persuading British Rail, the state-owned monopoly, to put two thirds of the line in tunnels and cuttings.

The cost of building the line has soared from an original estimate of £1.2bn ($1.86bn) to between £3bn and £3.5bn at current prices. Including inflation and interest charges, the eventual cost is likely to be in excess of £6bn.

This may have placed the project beyond the pocket of the private sector. There are grave doubts about whether the link can be built without state financial support – which the Government has so far been unwilling to concede.

Failure to attract private investment would be a serious embarrassment for Mr Cecil Parkinson, the new Transport Secretary. He would have to decide whether to allow public money to be used to save the scheme.

A decision will need to be made in the next few weeks if British Rail is to meet a November parliamentary deadline for a bill authorising construction of the line. The bill cannot be put off because it is tied to the redevelopment of Kings Cross station which is due to become the second London Channel terminal of the new line – the first will be Waterloo.

The difficulties of financing a private sector line are such that at least two of the six groups which submitted preliminary bids to design and build the project pulled out of the competition because they believe it would be impossible to raise sufficient cash.

The two groups, which included large construction and engineering groups such as Costain, Wimpey, Taylor Woodrow, Tarmac, Laing and Mowlem of Britain and Spie Batignolles and GTM Entrepose of France, said the market would not be able to stand the level of fares which would be needed to provide the private sector with an adequate rate of return.

Two other groups were rejected by BR, leaving a short list of two. One is Trafalgar House, the construction, property, shipping and hotels group, together with BICC, the engineering group. The other consortium comprises Peninsular and Oriental Steam Navigation (P&O), the shipping and construction group; BAA, formerly British Airports Authority; Trusthouse Forte, the hotels and catering group; Acer, the consulting engineers; and Canadian Pacific, the Canadian transport conglomerate.

The two groups are still in talks with BR, but railway executives say they have been told the cost of the scheme is so great that there is little chance it can be fully financed by the private sector.

The experience of the Channel tunnel indicates that much of this money is likely to be in the form of bank loans.

Eurotunnel raised £5bn in loans and standby credits from about 200 international banks, and only £1bn was raised in equity from shareholders. The UK-French group recently announced that it had to raise more money to cover sharply rising construction costs. Some estimates suggest that up to a further £2bn may be required.

This kind of cost escalation will make bankers cautious about investing in another high-cost, high-risk transport project, particularly one involving extensive tunnelling.

Bankers say that, in order to attract sufficient private sector support, the project would have to generate a real rate of return of 12-15 per cent before financing charges and tax.

BR says that to provide that sort of return the projected single fare to Paris from London would rise by £20 to £55 at current prices. This is regarded as unacceptably high.

Under UK Treasury rules for nationalised industries, BR would require a real rate of return of only 8 per cent if the line was built as a public sector project.

However, the cost is so high that it could not be financed from BR's internally generated resources. Much of the cost would have to be provided by the taxpayer, probably in the form of public dividend capital – effectively a Government equity stake in the project.

BR executives say that even taking into account the lower required rate of return, up to half the financing for the scheme would have to be provided in this way.

Moreover, BR says traffic forecasts would not justify public investment in a new line for several years, possibly until the next century, leaving an embarrassing gap in the infrastructure serving the Channel tunnel.

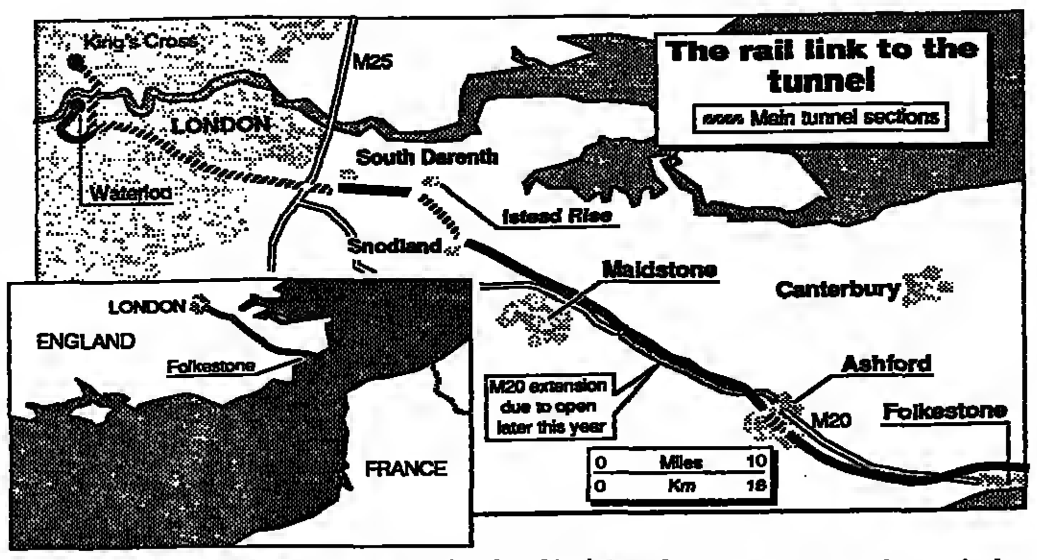
Top executives at BR are not wholly displeased by the financing difficulties facing the scheme. They have never approved of the idea that control of a key railway development should be given to the private sector.

However, the two shortlisted groups have not yet conceded that the project cannot be financed privately. Possible ways of cutting costs and raising extra revenue include:

● Moving the second London terminal from King's Cross to Stratford, in east London. BR says this would save only around £200m after construction of essential link lines into central London.

● Making available revenue flows from some Kent commuter lines, possibly as part of a joint venture with British Rail. However, BR says these lines are only marginally profitable at present.

Mr Parkinson is due to make a major statement about the future of British Rail at next month's conference of the ruling Conservative Party conference. All the parties involved with the high speed link are hoping the new Transport Secretary will find some way of keeping the project alive.



Swapo leader flies home after 30 years

By **Patti Waldmeir** in Windhoek

MR SAM NUJOMA, leader of the Namibian liberation movement, Swapo, returned home yesterday to a hero's welcome after 30 years in exile.

Mr Nujoma marked this landmark in the territory's progress to independence next April with an appeal for national reconciliation.

Mr Nujoma's motorcade was mobbed by thousands of Swapo supporters as it incbed its way through the dusty streets of the Katatura black township outside the capital, Windhoek.

The women of Katatura turned out to greet him dressed in cloth bearing his portrait in the traditional red, green and blue Swapo colours.

His return comes at a critical stage in Namibia's transition to independence, which involves United Nations sponsored elections to a constituent assembly in November, followed by independence next April. Namibia, a former German colony, has been ruled by South Africa for 74 years. Pretoria's occupation was declared illegal by the UN in 1966.

The territory's independence was negotiated with the mediation of the US and the Soviet Union, which persuaded South Africa, Angola and Cuba to sign a peace deal last year. Namibia's independence is linked to the phased withdrawal of 50,000 Cuban troops from neighbouring Angola.

Mr Nujoma, a 60-year-old former railway worker with little formal education, has led Swapo through a 23-year guerrilla war.

His return had been thrown into doubt following the assassination of a prominent white Swapo official, Mr Anton Lubowski, on Monday. Police have arrested a 50-year-old white Irishman.

The murder of Mr Lubowski, shot outside his home in the Windhoek suburbs, has emphasised the precarious nature of the independence agreement.

Both Swapo and South African officials said they expected the independence timetable to proceed despite the assassination althongh Mr Hage Geingob, Swapo's election director, expressed concern about security provided for Swapo officials by the South African-controllad police force. Intimidation of voters by police and political parties contesting the Novemher elections, has increased in recent weeks, raising tbe possibility that the election may be delayed.

US and Soviet Union near accord on chemical arms

By **Lionel Barber** in Washington

THE US and the Soviet Union are near a bilateral agreement to disclose their stockpiles of chemical weapons and permit short-notice inspection of their production facilities.

Barring last-minnte hitches Mr James Baker, US Secretary of State, is expected to sign a memorandum of understanding with Mr Eduard Shevardnadze, his Soviet counterpart, in Wyoming next week while making preparations for a superpower summit.

The White House confirmed yesterday tbat President Bush would also meet Mr Shevardnadze in Washington next week.

The Bush Administration hopes the accord will improve prospects for an international treaty on chemical weapons which is under negotiation by 40 nations in Geneva. The US-Soviet agreement would allow a trial run of short-notice, on-site inspections before a full bilateral treaty is signed.

US officials said final details had to be ironed out early next week in Washington before the Baker-Shevardnadze meeting.

One potential hitch concerns the co-operation of West Germany, where some US chemical weapons are stored. Another is US concern that the Soviet Union has more chemical agents in store than the 50,000 tons it is willing to acknowledge.

The Bush Administration hopes the chemical weapons agreement will quell Soviet criticism that the US has been unwilling to move quickly on arms control issues. Officials said President Bush's personal interest in banning chemical weapons had helped speed progress.

According to officials in Washington the US plans to further accelerate progress on a global ban of chemical weapons by introducing proposals at an international conference in Canberra next week.

These initiatives include similar pre-verification steps such as compiling data bases on worldwide stockpiles and information on technical capabilities of countries believed to possess chemical arms.

The Administration would like to see the US-Soviet accord boost progress on a multilateral accord covering prodnction of the deadly weapons, *particularly by Third World* nations which are suspected of expanding or developing their chemical warfare capability.

At least 20 other countries are believed to possess or be close to developing such capabilities.

Greek commission recommends prosecution of Papandreou

By **Kerin Hope** in Athens

A PARLIAMENTARY commission of inquiry yesterday recommended the prosecution of Mr Andreas Papandreou, Greece's former socialist Prime Minister, and four ex-ministers on criminal charges in connection witb a $200m embezzlement scandal at the Bank of Crete.

In a report issued after a six-week investigation, the commission said the 70-year-old Socialist leader should he charged with accepting bribes, breach of faith and receiving "the proceeds of a crime."

It is the first time in modern Greek history that a prime minister has been formally accused of criminal activities. The former deputy premier and ministers of transport, economy and finance – respectively Mr Agamemnon Koutsogiorgas, Mr George Petsos, Mr Panayotis Roumeliotis and Mr Dimitris Tsovolas – were also recommended for trial on corruption charges.

In a similar report issued earlier this week Mr Papandreon was accused of ordering illegal phone-taps of his political associates and enemies. The charges resulting from the Bank of Crete inquiry, which carry penalties from five years' to life imprisonment, are considered far more serious.

Mr Papandreou, who denied any wrongdoing, refused to appear before either commission. Socialist deputies withdrew from the hank inquiry when their request for an extension was turned down.

Parliament will vote later this month on sending Mr Papandreou and his ex-ministers for trial by a special tribunal of senior Greek judges. With the ruling conservative-communist coalition holding a clear majority after the socialists' June election defeat, both cases seam certain to he referred to the judiciary.

The bank scandal charges rest heavily on the testimony of its owner, Mr George Koskotas, who is in the US awaiting extradition to Greece.

● A GREEK lawyer is demanding $300,000 in damages from Mr Papandreou for deceiving him as a voter during eight years of Socialist rule, court sources said.

Campeau junk bonds fall

Continued from Page 1

31 to 33 cents on the dollar, with no snbstantial hlds in sight.

On Wednesday afternoon Allied's debentures were selling in the low 40s and last week they were above 50, he said. Federated's 16 per cent bonds of 2000 were heing offered at around 73, with a few bids at around 70, compared with almost 80 yesterday.

The fears of Federated and Allied bond investors have intensified this week as further details have emerged about the companies' financial conditions

Campean may be forced to sell assets and agree to changes in financial arrangements benefiting its banks and senior lenders at the expense of further reductions in the security available to subordinated debt holders.

"There seems to be a power play going on between Campeau, the Reichmanns and the banks – and the subordinated lenders are caught in the middle," said Mr Kingman Penniman, senior vice president of McCarthy Crisanti & Maffei.

WORLDWIDE WEATHER

UK today: England will start sunny with rain spreading later from the west. Scotland sunny intervals and showers. Cloudy later. Outlook: Unsettled, rain at times

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	24	75	Dallas		-	-	Madeira	F	23	73	Prague	C	17	63
Algiers	S	27	81	Dublin	F	14	57	Madrid	S	26	79	Reykjavik	F	7	45
Amsterdam	F	16	61	Dubrovnik	F	24	75	Majorca	F	27	81	Rhodes	S	27	81
Athens		-	-	Edinburgh	C	13	55	Malaga	S	25	77	Rio de Janeiro		-	-
Bahrain	S	35	95	Faro	S	26	79	Malta		-	-	Rome	S	24	75
Barcelona	C	24	75	Florence	F	23	73	Manchester	F	15	59	Salzburg	C	15	59
Belfast	F	14	57	Frankfurt	R	19	66	Melbourne	C	12	54	S'Francisco †	F	12	54
Belgrade	F	21	70	Geneva	C	16	61	Mexico City		-	-	Santiago		-	-
Berlin	R	15	59	Gibraltar	S	24	75	Miami †	S	28	82	Seoul		-	-
Biarritz	S	21	70	Glasgow	F	14	57	Milan	S	22	72	Singapore	F	30	86
Birmingham	F	13	55	Guernsey	C	16	61	Montreal †	C	13	55	Stockholm	F	19	66
Blackpool	F	15	59	Helsinki	S	17	63	Moscow	C	13	55	Strasbourg	C	20	68
Bombay	F	30	86	Hong Kong	C	27	81	Munich	C	13	55	Sydney	S	19	66
Bordeaux	F	22	72	Innsbruck	C	14	57	Nairobi	C	25	77	Tangier	S	25	77
Boulogne	F	16	61	Inverness	F	12	54	Naples	F	27	81	Tel Aviv	S	30	86
Bristol	R	12	54	Isle of Man	S	15	59	Nassau		-	-	Tenerife	C	25	77
Brussels	F	17	63	Istanbul	S	23	73	Newcastle	F	13	55	Tokyo	C	27	81
Buenos Aires		-	-	Jersey	R	17	63	New Delhi	S	34	93	Toronto †	C	12	54
Budapest	C	16	61	Johannesburg	S	26	79	New York †	C	23	73	Tunis	C	25	77
Cairo	S	33	91	Las Palmas	C	24	75	Nice	S	23	73	Valencia	C	25	77
Cape Town	S	20	68	Leeds	F	14	57	Nicosia	S	31	88	Venice	S	22	72
Cardiff	R	12	54	Lisbon	S	25	77	Oporto	S	21	70	Vienna	C	17	63
Chicago †	C	15	59	Locarno	F	22	72	Oslo	C	14	57	Warsaw	S	18	64
Cologne	R	16	61	London	C	15	59	Paris	C	19	66	Washington		-	-
Copenhagen	C	17	63	Los Angeles †	Fg	16	61	Peking	S	29	84	Wellington	F	17	63
Corfu	S	27	81	Luxembourg	C	15	59	Perth	F	20	68	Zurich	F	16	61

C-Cloudy. Dr-Drizzle. F-Fair. Fg-Fog. H-Hail. R-Rain. S-Sunny. Sl-Sleet. Sn-Snow. T-Thunder
† Noon GMT temperatures

Ferruzzi to reorganise activities

By **George Graham** in Paris

FERRUZZI, tbe Italian food and grains group controlled by Mr Raul Gardini, is undertaking a reorganisation of all its trading activities, company officials confirmed yesterday.

The reorganisation follows Ferruzzi's difficulties in tha soybean market, after the Chicago Board of Trade ordered it in July to sell off the 20m bushels it was bolding in futures contracts.

The action, which recalled efforts to break np the attempted corner of the silver market by the Hunt brothers 10 years ago, sent soya prices plunging. They are still 20 per cent lower than before the Board's decision.

One of the leading agricultural traders in the world, Ferruzzi handled aronnd 30m tonnes of grains, oilseeds and beans last year. Its own processing activities accounted for around 15 per cent of this volume, bnt Ferruzzi is also a major exporter to countries such as China.

Ferruzzi officials said yesterday that the Board of Trade's emergency decision, which the company has hotly contested, had not made life easy for it, but they would not give any further details of the restructuring, nor confirm reports that two senior executives in Ferruzzi's Paris division had resigned during the shake-up.

Officials also said they could not confirm that Ferruzzi had lost heavily on contracts to supply large quantities of soybeans to the Soviet Union.

They insisted that Ferruzzi's difficulties were dne to the Board of Trade decision in July, when Ferruzzi's position of 20m bushels amounted to perhaps a fifth of total US stocks of soybeans, much depleted after last year's dry summer.

The Chicago anthorities have defended their action as necessary to ensure the smooth functioning of the market, but Ferruzzi has said its position amounted to only 45 days processing in its plants.

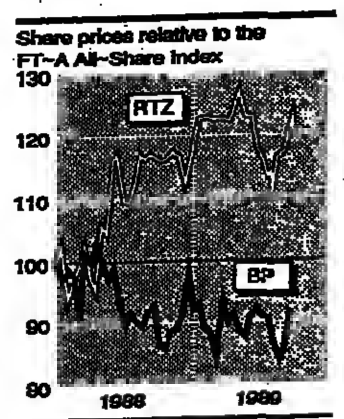
THE LEX COLUMN

BP works over an old strategy

BP is a company in a hurry. It has a new top management team with obvious ambitions to play alongside the likes of Shell and Exxon, yet it does not have their financial flexibility, nor the luxury of their spread of exploration properties to find the oil it needs to justify the group's longer term existence. Production from its giant Alaskan oil fields, which supply over half BP's output, is now declining by 11 per cent per annum, and the Exxon Valdez disaster has ensured that questions about future Alaskan production are all about the rate of overall decline rather than the chances of stumbling on another giant discovery.

Strip out the hyperbole from yesterday's announcement of BP's new exploration strategy, and BP is only doing what it should have done some time ago. Its upstream exploration activities are the last major part of the organisation to escape the axe, and even BP's smooth pnblic relations machine had difficulty putting a positive spin on what is no more than a corrective action. BP likes to think that its finding costs are not much different from those of Shell, the industry leader, but the fact that BP has decided to cut out 15 per cent of its exploration operating costs casts doubt on whether exploration is, after all, one of the group's traditional strengths.

The $1.3bn of assets have been sold at a very good price, but the real test is whether the high risk, high return strategy will work. It has been tried before, and the only consolation is that BP's idea of frontier exploration these days means cheap, but politically sensitive, areas like Vietnam, rather than horrendously expensive ventures like Mukluk.



RTZ

There is a touch of machismo behind the 48 per cent jump in RTZ's first half net profits, to £294m. A very large part of the improvement comes from the acquisition of BP Minerals, and it does not need a genius to work out that RTZ seems to have bought the business at around 8 times earnings. Given that RTZ does not like to sell its own businesses for anything less than 20 times earnings – and the market will be very disappointed if it does not secure a similar heady premium for its chemicals businesses – then it seems to have got the better of BP at the bargaining table. However, BP will argue that it sold out at the top of the commodity cycle and RTZ's own lowly multiple of less than 10 times earnings reflects the market's understandable worries on this score. If RTZ is right and the coming downturn will be nowhere near as severe as in the past, then these shares are cheap.

Rolls-Royce

It would have been good to see one bastion of the UK's military-industrial complex surprising the City pleasantly. That Rolls-Royce's interim results surpassed expectations may say more, though, about its talking down of forecasts this summer than about fundamentals. By the time investors sort out the confusion of 26 weeks' figures for the first half of 1989, against 24 last year, they will still be puzzled by Rolls-Royce's talk of a sharp rise in pre-tax profits to £101m when they detect apparent margin deterioration in its core gas-turbine engine business.

Admittedly, Rolls has been gaining market share, with large engine orders such as that from American Airlines; and there is still an uptick in profits to come from the higher dollar. What may also dampen investors' appetite for the shares are lingering doubts about the wisdom of this spring's merger with NEI, where it is hard to spot any determined onslaught on margins, and a mere 10 per cent interim dividend increase against 20 per cent last year.

As regards the gas-turbines, if one restates the figures slightly to allow for the altered reporting period, the operating profits in that area appear to have dropped from about £147m to £141m, on increased turnover. This is odd, given the large job losses in 1988. Whatever margin deterioration there is presumably stems from intense civil engine competition with General Electric and Pratt & Whitney. The City cannot tell precisely, since Rolls failed to split out civil and military figures.

Norton Opax

Norton's kamikaze bid for De La Rue has met its rightful fate, leaving three things to say. Norton's announcement that its bid was lapsing came at 4.36pm, so the stock market had little time to respond. But the fact that De La Rue's share price slipped only 9p to 338p, above the 334p Norton offered on August 21, suggests the City continues to expect another bidder. De La Rue must find a new chief executive fast.

Secondly, the news that Bowater's own 227p per share bid for Norton is close to success will not be entirely welcome until Bowater shows that moving downstream from packaging to printing makes sense. But weep no tears for Norton's chairman and chief executive. They own 4.99m shares between them, with another 1.03m under option.

Ratners

Retail gurus come and go, but Gerald Ratner keeps on rolling along. His formula may be only a variant of "Pile 'em high and sell 'em cheap", but other retailers must wish they had the ingredients. Unlike other retail sectors, jewellery has expanded without substantially increasing its floor space – Ratners has simply acquired its major competitors. Unlike other sectors, the trend in jewellery prices has been down as Ratners has exercised its buying power and provided customers with "flash for cash". *And again unlike other sectors,* Ratners has a truly dominant position in the jewellery market.

Ratners believes it can reach a 50 per cent market share in the UK by the mid-1990s. In the US, despite the failure to buy Gordons, Ratners still appears to have the most efficient operator and can afford to smile at the problems of retailers such as Campeau. The fact that Ratners is quadrupling its UK advertising spend for this Christmas is a sign that the group is worried about the stickiness of consumer demand, but it would be surprising if the company failed to make £110m for the full year. Now all Gerald Ratner needs to do is charm the market, which at 9 times prospective earnings continues to treat him as a rough diamond rather than a golden boy.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday September 15 1989

INSIDE

Minerals acquisition boosts RTZ results

RTZ, the world's largest mining group, yesterday said its purchase in January of British Petroleum's minerals interests had helped it towards a 48 per cent increase in net profit to £294m in the first half of 1988. It also confirmed that it was not proceeding with its purchase of a 49 per cent stake in the $801m Olympic Dam copper, uranium and gold mine in South Australia, which was part of the BP Minerals portfolio. But Sir Alistair Frame (above), chairman, declined to comment on reports that RTZ may be about to sell its chemicals division for £520m to Rhône Poulenc, the French nationalised chemicals and pharmaceuticals group. Page 27

Germany on the upswing

It may be a surprise to some, but the news that equity turnover on West Germany's eight stock markets has overtaken that on the London Stock Exchange is not really so astounding. For, until this week, the German market has been on a sustained upswing. Page 46

Long-range flight

With its radical aerodynamics and radar-cheating technology, America's new B-2 stealth bomber was always going to cause a stir. Its impact, however, looks set to be felt well beyond the boundaries of aviation. Page 31

Philosophical debate on Wall St

On the simplest philosophical level, the debate over the New York Stock Exchange's proposed basket trading product is about achieving a healthy balance between individual investors, whose share of stock trading volume has dropped steadily over recent years, and the large institutions which increasingly dominate securities trading. But the Exchange Stock Portfolios proposal also involves a number of regulatory complications. Page 25

Rolls-Royce rides high

Rolls-Royce exceeded the most optimistic of analysts' and industry anticipations by reporting a 60 per cent increase in first-half pre-tax profits to £101m. Turnover, which rose 25 per cent to £1,124bn, would have been higher had it not been for the continuing impact of the overtime ban at the company at the beginning of the year. None the less, the company was able to meet all its commitments and has managed to increase its production rate in a buoyant commercial aircraft market. Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Deutsche Bk	672.5	+	6.5
D'sche Babcock	213	+	3.3
Karstadt	631	+	8
Nixdorf	386	+	11
RWE	352.5	+	4
Falls			
Commerzbank	250	−	2

NEW YORK ($)

Rises			
AMRE	9¼	+	1½
Microsoft	63¼	+	1½
Falls			
AMR	79⅝	−	2½
Monsanto	114⅞	−	3⅞
Philips Pet	26⅝	−	1⅞
Woolworth	65⅝	−	2⅞

New York prices at 12.30pm.

PARIS (FFr)

Rises			
CCF	208	+	10.5
Eurafrance	2225	+	128.9
Primagaz	810	+	59
Via Banque	459	+	25.5
Falls			
Geophysique	891	−	32.9
Roussel	2155	−	110

TOKYO (Yen)

Rises			
Kasuga Elect	1370	+	170
Kyoei Sangyo	1630	+	130
Kyosan Cable	1100	+	80
Seibu Railway	7350	+	600
Falls			
Takeda	2100	−	150
Taihei Kogyo	1350	−	100

LONDON (Pence)

Rises			
ADSA	203	+	3
Armstrong Eq	181	+	5
Barlows	105	+	8
Britannic	488	+	18
CU	461	+	16
Caradon	464	+	10
Gus A	1210	+	8
Hopkinsons	95	+	4
Maxwell Comms	197	+	8
Micro Focus	431	+	10
Refuge	557	+	24
Rolls Royce	196½	+	2½
Rotaflaugh	636	+	8
Spayhawk	349	+	10
Stakis	117	+	2
Falls			
Cadbury Schws	389	−	5
Laing (J)	280	−	16
Morgan Grenfell	336	−	10
ThornEMI	856	−	20
Wellcome	878	−	18

Tyre maker owns 10% of Kwik-Fit

By John Thornhill in London and Andrew Fisher in Frankfurt

CONTINENTAL of West Germany, the world's fourth largest tyre manufacturer, has bought a 10 per cent stake in Kwik-Fit Holdings, the car parts retailer which is Britain's biggest remaining independent distributor of tyres.

The purchase is the latest in a series of moves by leading tyre makers to gain large slices of the UK distribution market.

In July, Michelin of France outbid Japan's Bridgestone by paying £140m ($217m) for BTR's National Tyre Services.

Pirelli of Italy, Goodyear of the US and Sumitomo of Japan all have their own UK tyre distribution operations.

"Distribution will be one of the new competitive battlegrounds," said one UK analyst, noting that companies were prepared to pay high prices to enter the market.

He did not think Continental's earnings would benefit from the purchase of the Kwik-Fit stake, which was aimed at gaining long-term access to the UK market.

Kwik-Fit said Continental had approached it with a view to exploring "what Continental considers could be various areas of mutual interest."

Kwik-Fit said it had agreed to hold discussions with Continental, which said it regarded the holding as a long-term investment. The two will discuss possible co-operation.

As Continental has expanded its global operations, notably in the US through the $643m (£415m) acquisition of General Tire two years ago, it has also attempted to obtain a stronger foothold in the controlled distribution business.

In West Germany, it owns Vergölst with about 160 outlets and turnover of DM330m (£107m). It recently bought Big-O-Tire in the US, with about 300 shops.

However, apart from the acquisition of Smiley, a small tyre distributor in Scotland, where the German company also has a production plant, the Kwik-Fit deal is its first significant move in UK tyre sales.

Mr Richard Edy, director of Britain's National Tyre Distributors' Association, said there were more than 4,000 tyre distribution depots throughout the UK, of which about 1,600 were controlled by the tyre companies.

Kwik-Fit is the largest remaining independent, with more than 400 depots in the UK. It also has interests in France, the Netherlands and Belgium.

Continental, which also makes the Semperit and Uniroyal tyre brands, last year increased turnover by 55 per cent to DM7.9bn as a result of the General Tire purchase, with net profits 40 per cent higher at DM186m. Sales in the first five months rose by nearly 9 per cent to DM3.25bn.

Bid speculation has enveloped Kwik-Fit for several weeks, and its shares rose sharply on Wednesday to 149p, up 21½p on the day, amid rumours that a bidder was around.

Kwik-Fit's shares climbed yesterday on the announcement, but fell back to close at 147p, valuing the company at £236.2m.

Many City analysts were initially surprised by the identity of the suitor, but on reflection they considered any link-up would make considerable commercial sense for Continental if, not necessarily, for Kwik-Fit.

Several analysts suggested Continental's stakebuilding was aimed at giving it marketing leverage and was unlikely to result in a full takeover offer for Kwik-Fit.

This view probably accounted for the slippage in Kwik-Fit's share price after a strong initial rise.

However, now that Kwik-Fit has been put into play other predators may well make their intentions known.

Pirelli results, Page 31

Axa-Midi chief says BAT bidder may drop US lawsuits

By Nancy Dunne in Washington

HOYLAKE, the consortium headed by Sir James Goldsmith which is bidding £13.5bn ($20.9bn) for BAT Industries, may drop lawsuits filed against the US state insurance commissioners, in order to speed regulatory approval of the takeover, if the UK Takeover Panel allows the bid timetable to be extended.

The Panel met on Wednesday to consider Hoylake's request for an extension, but its decision has not yet been announced. The request has been prompted by Hoylake's difficulties in getting the necessary approvals from the US insurance commissioners for a change of ownership of Farmers, BAT's US insurance subsidiary, within a traditional UK offer period.

According to Mr Claude Bébéar, chairman of Axa-Midi, the French insurance group planning to acquire Farmers from Hoylake, the bidder will next week drop the suits which argue against interference by the insurance commissioners on US constitutional grounds if the deadline is extended.

"We asked Jimmy to stop, and he promised me he would," Mr Bebear said. "The suits are a big problem for us."

Axa itself has filed applications in nine states required for change in control of Farmers. This is in addition to Hoylake's own filings.

Mr Bébéar stopped off in Washington as part of a two-week journey during which he has been selling the virtues of membership in a large international company and aiming to reassure the state commissioners.

Mr Bébéar said he had found himself explaining continually that Axa is not involved in the suits against the commissioners. "It is not a good way when you want to obtain something from somebody to attack it first," he said. "Most people don't understand that we are not Jimmy."

Determined to get in the US market eventually, even if the bid for Farmers fails, Mr Bebear said he needed to have good relations with the insurance commissioners.

Axa is France's fifth largest insurance group and the eighth largest in Europe. It proposes to acquire Farmers, if Hoylake succeeds, for $4.5bn, slightly less in dollar terms than that paid by BAT in its controversial takeover of Farmers last year, and would also invest in Hoylake itself.

Optimistic that his trek through the states would pave the way for the acquisition, he described the trials of landing in a rain storm in Kansas and being caught in a swarm of bats in Austin, Texas. There were 100,000 to 300,000 of the creatures, he said, who lived under a nearby bridge. He did not say if it was some sort of revenge of the BAT.

Nikki Tait adds: In London, Hoylake said it would not be appropriate to comment on the possible withdrawal of the US federal suits while the Panel's decision was still awaited. This is likely to be announced today.

Yesterday, shares in BAT spurted some 24p higher at one stage on vague speculation that an extension would be granted - or alternatively that a cash bid was in the wings - but then dropped back for a mere 3p gain at 801p in light volume.

Cadbury in £110.3m acquisition of Trebor

By Lisa Wood

CADBURY Schweppes, Britain's largest confectioner, yesterday acquired Trebor, the family-controlled manufacturer of Mint Imperials and Trebor Wine Gums, for a total consideration of £110.3m ($171m).

The acquisition is subject to Office of Fair Trading approval because it will give Cadbury just under 27 per cent of the £1bn-a-year sugar confectionery market.

Not included in the deal is Moffat, the wholesaling division of Trebor, where a management buy-out is under discussion.

Cadbury, which will take on £36.6m of assumed Trebor indebtedness, is financing the purchase through a vendor placing of 37½m shares which will raise £128.9m.

The shares are being conditionally placed with institutions and will be offered to Cadbury shareholders at 360p per share on the basis of three new Cadbury shares for every 52 shares held on September 6 1989.

The 16.9 per cent stake held in Cadbury by General Cinema, its largest shareholder and the focus of the takeover speculation that has dogged Cadbury in recent months, would fall to 15.9 per cent if the share offer is not taken up.

The European sugar confectionery market is heavily fragmented, although rationalisation has recently started.

Cadbury, which has market leadership of the £2.3bn a year UK chocolate confectionery market, became a serious player in sugar confectionery this year when it acquired Bassett Foods, the Jelly Baby manufacturer.

Trebor, a competitor of Bassett, with a 13.5 per cent stake of the UK sugar confectionery market, said it decided to sell after consideration of recent developments in the European market.

To develop its brands, it needed significant funds and backing.

Trebor had sales of about £117.8m in 1988 and trading profits of about £7.1m. Its operating assets were £55.2m at the year end.

But Cadbury said Trebor would be performing significantly better in the 12 months. It expected that the impact on Cadbury's earnings per share in 1990 would be broadly neutral.

The acquisition will lift Cadbury's sugar confectionery sales on the Continent to 6.3 per cent, slightly ahead of its rivals. It will also be acquiring manufacturing plants in Canada and Ireland as well as equity stakes in plants in Malaysia and Indonesia, areas in which Cadbury intends to expand its activities.

Mr Neville Bain, managing director of Cadbury's confectionery division, said the acquisition was being made in a sugar confectionery market which under-invested and poorly branded.

He said there was a restructuring opportunity, which could deliver lower costs, faster sales growth and better margins. He said sugar confectionery margins were generally below those of chocolate confectionery.

He added that substantial synergies were available in production rationalisation, buying economies, the merging of distribution and the sale of surplus assets, but declined to say which factories might close.

Cadbury, which announced pre-tax profits of £94.9m for the half year to June 1989, 16 per cent up on the previous year's £81.7m, has been actively making acquisitions over the past year. Earlier this month, it consolidated its position as one of the leading soft drinks companies in the world with the $220m acquisition of Crush International, a US soft drinks business.

Cadbury's share price closed 5p lower at 389p.

Dominic Cadbury: tasting some Trebor products

News Corp confirmed as MGM suitor with $1.4bn takeover offer

By Anatole Kaletsky in New York, Raymond Snoddy in London and Chris Sherwell in Sydney

MGM-UA Communications confirmed yesterday that Mr Rupert Murdoch's News Corporation was the company which approached it earlier this week with a $23.16 a share takeover proposal.

The Murdoch bid, which would put the total value of the film and television production and distribution company at around $1.4bn, appeared to jeopardise an earlier takeover agreement reached between MGM and Qintex, a smaller Australian media business.

Qintex was due to pay $20 a share to MGM's common stockholders in a deal which was to have been consummated by September 30.

But the merger agreement contained a provision allowing MGM to sell out to a higher bidder on payment of a severance fee of $18.2m to Qintex.

Mr Murdoch has set a 72-hour deadline for acceptance of his offer for MGM/UA. The MGM board was meeting last night to make a decision.

Despite the apparently higher offer from Mr Murdoch, Wall Street remained cautious about the likelihood of News Corporation buying MGM or the possibility of a bidding war breaking out for it.

MGM's shares fell $⅝ to $20⅞ in morning trading on Wall Street yesterday.

Meanwhile Mr Kirk Kerkorian, the secretive billionaire who controls more than 80 per cent of MGM's common stock, has been making huge profits by selling and buying back parts of the company over the past 10 years.

Analysts suggested that this week's offer from Mr Murdoch was unlikely to mark the end of his byzantine deal-making with MGM assets.

While News Corp's bid appears to provide greater value for MGM shareholders, other provisions of the Qintex arrangement are believed to be attractive to Mr Kerkorian.

After selling MGM to Qintex, Mr Kerkorian was due to buy back some of his company's key assets for $250m.

As well as the world-famous roaring lion logo, these assets included MGM's TV production business, its Hollywood headquarters building and the distribution rights for numerous successful films made by MGM in the last three years.

Figuring in the value of these assets, a sale to Qintex could still be more advantageous to Mr Kerkorian than the deal proposed by Mr Murdoch.

On the other hand, Mr Murdoch is mainly interested in MGM's film library, which he would use as a source of programming for his Fox television network in the US and his Sky Channel satellite TV venture in Europe.

Therefore Mr Murdoch might be prepared to offer Mr Kerkorian a buy-back deal similar to the one MGM negotiated with Qintex.

Although MGM does have an extensive film library, not much of it is actually available for sale.

Mr Ted Turner, the Atlanta television entrepreneur, bought the entire MGM library in 1985 and still owns the rights to all MGM films up to that date.

The UA library has many classic films such as High Noon and West Side Story, but its most highly valued films – the James Bond series – are subject to separate deals.

It is believed that Mr Murdoch has been looking at MGM/UA for some time.

Apart from the library – MGM has built up a store of some good pictures since 1985 – Mr Murdoch will be interested in the production facilities and the savings that would flow from shared distribution of the output of MGM/UA and his own Hollywood studio, Twentieth Century Fox.

An acquisition of MGM/UA would help Sky Television realise an ambition to add a "classic movie" channel to its present four channel output.

It is partly because the original Murdoch approach to the issue was a little half-hearted that Christopher Skase's Qintex beat him to the draw.

Following the Skase deal, News Corporation began to find out whether some parts of the MGM/UA empire might be available.

Mr Murdoch began to scent blood when he was approached by Mr Skase and apparently offered parts of the business. The News Corporation chief executive realised that the original deal might be fragile and he promptly put together a counter offer.

Mr Murdoch was not available for comment last night, but it is believed that the money for an MGM acquisition would come from orthodox bank borrowing rather than his planned Media Partners International.

This is in spite of Mr Murdoch's announcement in March that he would use the Media Partners plan to bring in outside investors and raise as much as $5bn in equity and debt to finance future media acquisitions.

Mr Murdoch was apparently still unsure last night what proportion, if any, of MGM/UA he might get.

"When you own one Hollywood studio it's not so different running two," one optimistic Murdoch executive said last night.

Air France to strengthen ties with Lufthansa

By Paul Betts in London

AIR FRANCE, the French national airline, yesterday became the launch customer for Boeing's new jumbo 747-400 cargo aircraft programme and is expected to announce today a strengthening of its links with Lufthansa, the West German airline.

The moves reflect the French airline's efforts to boost its competitive position in the fast changing global airline market.

Air France, which has one of the largest networks in Europe, has long had close relations with Lufthansa, co-operating in the Amadeus computer reservation system, in the Atlas joint aircraft maintenance consortium and in the jointly held airline EuroBerlin flying domestic German routes into Berlin.

However, the two airlines are understood to have sought to strengthen their ties for some time in the face of the growing consolidation of the European aircraft business. They are understood to be considering joint staff training schemes as well as other technical and marketing co-operation ventures.

Mr Bernard Attali, chairman of Air France, said earlier this week he was seeking to establish links with one or two strong partners in Europe, the US and the Far East. The closer ties between Air France and Lufthansa would represent a significant development in the airline industry since it would reinforce an alliance between the second and the third largest international airlines in Europe after British Airways.

It would also appear to signal a joint Franco-German alliance to compete against BA which is seeking to take a 15 per cent stake in United Airlines and take a 20 per cent stake in Sabena, the Belgian airline. Lufthansa has been negotiating a marketing agreement with American Airlines.

Air France so far has sought to consolidate its position in France and in Europe by expanding its co-operation links with Air Inter, the French domestic airline, taking a stake in another second tier French regional airline company and recently taking a symbolic 1.5 per cent stake in Austrian Airlines. However, the company is now also looking to reinforce its global operations.

At the same time, it is pursuing a major fleet renewal programme. Boeing yesterday confirmed that Air France had placed a firm order for five Boeing 747-400 freighters worth a total of $600m. The purchase is the largest single order for all-cargo aircraft ever received by Boeing.

Indosuez up on back of high exceptional earnings

By George Graham in Paris

BANQUE Indosnez, the merchant banking subsidiary of the Suez group, has reported a 14.6 per cent increase in net profits to FFr502m ($75.3m) in the first half of 1989, with strong exceptional earnings offsetting lower operating profits.

Grose operating profits remained flat at FFr1.54bn, as an inverted yield curve reduced profits in the money markets, especially in the Frenco franc market. This countered buoyant growth in most industrialised economies and strong volume in many financial markets.

Indosuez increased its provisions for sovereign debt risks to FFr624m, though provisions for commercial client risks were reduced to FFr150m, reflecting the better quality of risks in many industrialised countries.

Indosuez's total provisions now amount to FFr7bn, and its sovereign debt provisions now cover 50 per cent of its exposure in risk countries.

However, Mr Antoine Jeancourt-Galignani, chairman, waroed that the curreot approach to third world debt problems may encourage debtors to think that a reduction of their debt load was a normal part of their development.

"It is in the interests of the international community and of the debtor countries that debt reduction programmes should be limited in both time and space; that is, they should occur once and once only, and only for a few countries."

He added that he believed the plan proposed for Mexico went beyond these limits.

Indosuez's warning about the poor performance in the French franc markets in the first half has aroused anxieties among Paris stockbrokers about how other banks have fared.

With overnight money costing more than longer maturities for much of the period, banks financing their longer term loans in the money markets will have lost money on some market activities. Retail banks, however, will have been able to offset this with unremunerated deposits from their individual customers.

Paris bankers have also warned of increasing problems of risk quality, especially in the expanding small business and consumer credit sectors.

Indosuez is not in these markets. In the larger corporate lending market, margins appear to have stopped falling and the quality of the risks to have improved, its senior executives said yesterday.

Generale de Banque 'to lift payout'

By David Buchan in Brussels

GENERALE de Banque, Belgium's largest banking group, reported a 9.6 per cent rise yesterday for the first half of this year in net profit of BFr4.1bn ($99m), and forecast an increased net dividend for shareholders despite recent increases in the number of shares.

The Générale group's consolidated balance sheet topped BFr2,500bn at the end of June, an 11 per cent increase compared to December 31 last year. However, mnch of the nominal increase was due to the rise in the dollar's value.

Lending to the private and public sectors increased at about the same pace. Générale de Banque's participation in the Mexican debt rednction programme did not affect the balf year profits, the bank said, because of provisions it had already made for this.

Coles Myer earnings break record

By Chris Sherwell in Sydney

COLES MYER, Australia's largest retail group, yesterday reported record annual earnings for the year to June, despite what it called "difficult economic conditions" and a lack of consumer confidence.

Its net profit from operations of A$392.4m (US$304.9m), or A$388.1m on an equity-accounted basis, was some 19 per cent higher than the previous year's A$328.1m. It followed its announcement last month of record sales of A$14bn, up from A$12.8bn.

Mr Brian Quinn, chairman, called the result very satisfactory, and said the company expected to achieve satisfactory profits this year, if not the sama growth, throngh increased efficiency.

The effects of reduced costs and new technology were underscored by yesterday's figures showing that the group's retail trading profit expressed as a percentage of sales had risen to 4.2 per cent from 4.09 per cent. In the previous nine years the group had not managed a figure above 4 per cent.

Mr Quinn said the group's Coles New World supermarket operations had been affected by particularly intense competition. But the Myer, Grace Bros and Target and Coles Fossey stores all improved their profits.

In New Zealand, the supermarkets acquired as the Progressive Group also showed profit increases, and Mr Quinn said he believed there was a lot of scope for expansion.

Extraordinary write-offs of A$69m arose mainly from costs associated with the merging of the Myer and Grace Bros department stores. They compare with write-offs of A$313m the previous year.

Coles Myer now has a total of 1,451 stores, down from 1,605, and 588 in-store units, down from 569. It remains one of the world's largest retail chains outside the US.

The group declared a final dividend of 24 cents, fully franked for local tax purposes, to make a total for the year of 36.5 cents, an increase of 19 per cent after adjustment for last December's one-for-eight scrip issue.

On the stock exchange, Coles Myer shares finished 14 cents higher at A$8.84.

● Westfield Holdings, the Australian shopping centre developer and investment group, pushed up annual equity-accounted net profits 81 per cent to A$19.2m from A$10.6m as sales expanded to A$259.6m compared with A$235.7m, Our Financial Staff adds.

Because of prior-year tax losses the company paid no income tax during the latest year to June – the bill during the previous 12 months was just A$484,000.

"Retail sales continued to grow in the group's shopping-towns at a rate above the national average, attracting an increasing share of the national retail market," it said.

Valeo midway sales top FFr10bn

By William Dawkins in Paris

VALEO, France's largest producer of car components, yesterday unveiled a 14 per cent rise in sales and net profits for the first half of the year.

The internationally ambitious group saw turnover rise to just over FFr10bn ($1.5bn) in the six months to June, against FFr8.8bn in the same period of 1988. Net profits increased from FFr535m to FFr607m, leaving margins static at 6 per cent of turnover. Investments rose by 14 per cent over the same period, from FFr815m to FFr928m.

Last week Valeo paid FFr1.5bn for Blackstone, the US car parts producer. This is the latest in a string of acquisitions which have boosted the foreign portion of sales to nearly half the total.

The group predicted that turoover would exceed FFr22bn in the full year and profits would continne to increase, thanks to the continuing buoyancy of the European car market and the fruits of earlier investment in improving productivity.

Yesterday's figures include the first sales contribution from Delanair, the UK producer of car heaters and air conditioners bought by Valeo in May.

Stripping that out, the underlying growth in sales comes out at 10 per cent, though the group did not specify Delanair's contribution to profits.

Provigo slides by 60% despite advance in sales

By Robert Gibbens in Montreal

PROVIGO, Canada's second largest food distribntor, suffered a 60 per cent decline in earnings in the first half (which ended on August 12) despite a 14 per cent rise in sales to C$4.2bn (US$3.5bn).

Second half profit fell to C$8.6m or 10 cents a share, compared with C$21.3m or 24 cents a year earlier. Second quarter profit was also down at C$2.3m or 3 cents a share, against C$15.9m or 18 cents, on net sales of C$2.5bn, compared with C$2.2bn.

Problems worsened at the catalogne retailing business Consnmers Distribnting, which posted a loss of C$11.2m in the six months, against a deficit of C$2m a year earlier. This was partly offset by better results from Canadian food and health products distribution.

Elders Resources 'can sustain growth'

By Terry Hall in Wellington

ELDERS Resources NZFP (ERN), the Australasian minerals and forestry group, is able to sustain growth following a rationalisation carried out on core businesses, according to Mr Geoff Lord, chief executive.

Yesterday he was announcing results for the 15 months to June, the first since the Melbourne-based Elders Resources, controlled by Mr John Elliott's Elders IXL, absorbed the former NZ Forest Products in a reverse takeover.

Net profits were NZ$320.1m (US$190.0m). The result for the previous 12 months was given as NZ$85.3m. Directors emphasised that the abnormal result, returning unusually large profits, was based on a 15-month instead of the usual 12-month period. They noted that it was difficult to make comparisons because of the change in the mix of business.

Mr Lord said that the directors were encouraged by the progress but believed that restructuring and reshaping of the company would continue until an acceptable return on the investment was achieved.

Total shareholders' funds and liabilities rose to NZ$4.37bn from NZ$2.84bn during the period. Sales were NZ$6.84bn against NZ$1.48bn.

The company is making a one-for-eight bonus issue and is paying a final dividend of 11.5 cents for a total payout of 21 cents. In the previous year 16 cents was paid.

Mr Lord said the company had successfully reorganised and integrated the former business of NZFP, and had committed NZ$300m towards enlarging and restructuring its New Zealand plant.

It had also established a fourth core business, in recycling. This had contributed strongly towards the year's results.

The group had also set up an Australian coal division through merging its former coal subsidiary with Oakbridge. Mr Lord said that during the coming year the group would concentrate on strengthening its oil, gas and mining sectors in Australia.

Strong demand lifts North Broken Hill

By Chris Sherwell

STRONG DEMAND and good prices for forestry products and base metals have helped North Broken Hill Peko, the Australian resources group, improve its earnings for the year to June.

Figures released yesterday showed that on an equity accounted basis the group's earnings climbed to A$148.7m (US$113.7m) from A$102m. However net operating profits dipped to A$92.2m from A$103.7m while sales weakened to A$1.68bn from A$1.84bn.

The equity accounted earnings take into account a contribution from the 40-per-cent-owned Pasminco zinc and lead joint venture formed last year with CRA. This provided A$66.5m after tax, including a special dividend of A$10m.

The bottom line was boosted further by extraordinary profits of A$124m, comprising A$198m in disposals offset by a A$75m provision for disputed tax of Energy Resources of Australia (ERA), the group's uranium side.

North said the improved performance reflected the expansion and restructuring involved in the acquisition of Peko-Wallsend, the formation of Pasminco, the sale of some non-core businesses and the cancellation of 157m shares.

It said demand and prices were strong for forest products, and recorded "outstanding" production and sales performances by its Robe River iron ore operation. However, ERA had a difficult year because of an oversupplied world uranium market.

Forestry and paper contributed a marginally lower A$80m in earnings before interest and tax; the mining and industrial division provided A$60m (up from A$38.6m); and uranium contributed A$90m (up from A$72m). Another A$17.6m came from businesses later sold. Net borrowings were reduced to A$530m from A$1.16bn. A final fully franked dividend of 6 cents per share makes a total of 17 cents, up from 9 cents.

Critics chew over Apple's portable PC

By Louise Kehoe in San Francisco

APPLE COMPUTER is planning a glitzy Hollywood launch next week for two new versions of its Macintosh persooal computer. However, the star product, a portable version of the PC,is drawing lukewarm reviews from critics determined to upstage the event.

According to some who have previewed the portable Macintosh, it is far heavier than most of the current generation of portable computers. Weighing in at more than 15 lb, the "portable" Macintosh might better be termed a "luggable" computer.

The price of the new portable is also heavier than many had boped. Depending npon disk drive and other options, it will cost around $6,000 to $7,000, say industry analysts. That places it well abova the prices of IBM-compatible portable computers.

The delayed introduction of Apple's portable Macintosh has been caused in part by the company's dissatisfaction with the liquid crystal displays used on most other portable computers.

Apple appears to have resolved the problem by adopting a new technology called an "active matrix display," which is brighter and clearer than standard liquid crystal displays.

The portable Macintosh will be the first widely distributed computer to use this sort of display.

Noranda buys aluminium mills

NORANDA, Canada's largest resource group, is expanding its alnminium fabricating interests in the US, writes Robert Gibbens.

It is buying the aluminium rolling division of National Intergroup of Pittsburg, for US$118m. The division earned $15.2m on sales of $205m last year.

Noranda operates a profitable aluminium smelter in Alabama, built more than 20 years ago. The three rolling mills being acquired are in North Carolina, Arkansas and Ohio. They make foil products for the packaging industry.

The deal means that Noranda will use 92 per cent of the ingot produced at the smelter in its own finishing plants, compared with 58 per cent before the acquisition.

Watchdog says NTT need not be split up

By Robert Thomson in Tokyo

NIPPON TELEGRAPH and Telephone (NTT), Japan's largest company, will remain a single entity following an inquiry by the Fair Trade Commission, the government anti-monopoly body, into a controversial proposal to break up the company.

An FTC panel found that dividing the giant group into regional companies would provide for fairer competition in Japan's communications industry, but ruled that there could be a serious loss of efficiency and that research and development would suffer.

The threat of a break-up had softened the company's already weak share price, which has fallen by more than a third in the past year, prompting many of the 1.54m shareholders to demand a quick decision on the proposal.

The poor share price has compromised proposed share issues, and this week the Japanese Government decided not to proceed with a planned autumn issue worth as much as Y5,000bn ($20.4bn).

An NTT official said yesterday that the decision would benefit users of its service, although the possibility of a break-up remains in the long-term. This is because the commission has recommended that a further study be undertaken within the next five years.

The Posts and Telecommunications Ministry, which had wanted the company to be divided, condemned the FTC report as lacking a broad perspective.

It plans to prepare a new submission on the advantages of a break-up.

Malaysia mines group surges

MALAYSIA Mining Corporation lifted group after-tax profit by 179.9 per cent to 43.9m ringgit (US$16.2m) in the first half to July from 15.7m ringgit, AP-DJ reports.

Turnover was 400.8m ringgit, a 21.3 per cent gain. Malaysia Mining attributed the performance to buoyant market conditions for its products, particularly tin.

Pre-tax profit rose 182.5 per cent to 71.6m ringgit. Extraordinary earnings added 52.5m ringgit.

The company is declaring an interim dividend of 40 cents a share compared with 20 cents. Directors said this profit is likely to be sustained in the second half.

SA trading group ahead by over 50%

SAFMARINE and Rennies Holdings (Safren), a South African trading and transport group, boosted pre-tax profits by more than half to R613.8m ($238.5m) in the year to June from R405.9m, Our Financial Staff writes.

Sales expanded to R3.81bn compared with R2.86bn. The improvement also reflected a drop in interest outgoings to R21.9m from R31.0m.

A final dividend of 135 cents a share makes a total of 180 cents, up from 135 cents, paid from net earnings per share of 404 cents against 298 cents.

Ford to invest $1.5bn in small car output

FORD MOTOR of the US is to invest nearly $1.5bn in facilities and tooling to build the 1991 Ford Escort and Mercury Tracer subcompact cars that will be introduced next year, Reuter reports. It also plans to spend $385m to retool its New Jersey assembly plant for Ranger pick-up trucks.

INTERNATIONAL COMPANIES AND FINANCE

Dresdner to set up home finance and advice arms

By Haig Simonian in Frankfurt

DRESDNER BANK, West Germany's second biggest financial institution, is establishing new home finance and retail financial advisory subsidiaries, part of a drive by German banks to broaden retail financial products in the domestic market.

Dresdner Bauspar, the new home savings operation, follows the bank's decision last December to sell its 25 per cent stake in Leonberger Bausparkasse, a private-sector home savings operation, in favour of developing an in-house unit.

Contrary to expectations in the mid-1980s, Bausparkassen, which help finance home purchases in return for customers' long-term commitment to save, have enjoyed a comeback.

Like insurance companies – the other area of many banks' interest – Bausparkassan operate large commission-based sales forces working outside normal business hours. In time, many banks hope to use these representatives to sell customers a wider range of financial products.

Dresdner Bank's second new operation, Dresdner Vermögensberatungsgesellschaft, is designed to be part of that new sales network, complementing the bank's 1,300 branches. It will give customers advice on the financial services offered by both the bank and associated institutions more flexibly than is currently available via normal counter hours.

Fiat subsidiary in AIEG pact

MAGNETI MARELLI, the car components unit of Italy's Fiat, has signed an accord with Automotive and Industrial Electronics Group (AIEG), a Motorola subsidiary, to make electronic fuel injection control systems, writes Our Financial Staff.

The accord calls for the production of 2m systems a year at Magneti Marelli's plants at Pavia, Italy and Chatellerault, France and at AIEG plants.

No financial details were given.

Ilva joins French group as investor in Lucchini

By John Wyles in Rome

ILVA, the Italian state-owned steel company, is joining Usinor-Sacilor, its French equivalent, as a minority shareholder in the Lucchini group, one of Italy's leading private steelmakers.

The deal represents a significant restructuring in the Italian steel industry, which is bound to have an impact at a European level.

The link between the two state steel industries will be strengthened by a coincidental agreement by which Ilva and Usinor-Sacilor will share control of Alessio Tubi, a hitherto family controlled welded-tube manufacturer which has been at the centre of a legal battle between the two.

Ilva's purchase of a 24.5 per cent stake in Lutrix, a holding company controlled by the Lucchini group, will put it on equal terms with Usinor-Sacilor, which acquired an identical stake 18 months ago.

Both state companies are big suppliers of coils to Lucchini steel companies and both apparently see good prospects for collaboration with each other and with Lucchini in Mediterranean markets.

The deal suggests that Ilva is bound now to exercise its option to acquire a 42 per cent holding in Magona d'Italia, currently controlled with a 50.1 per cent holding via Lutrix by the Lucchini group, from the private steelmaker Mr Steno Marcegaglia.

This would lead to a significant concentration of production in the domestic market for several products: the combined Ilva-Magona shares of the market for specialty bars and zinc products is 77 per cent, while Magona itself dominates the Italian market for coated steels with 68 per cent.

Magona's sales last year reached L484bn ($341m) and net profits L8bn.

The Lucchini group produced 1m tonnes of steel last year, 40 per cent being special steels. Its turnover was L829bn and net profits were L33bn.

Norton enters Bowater talks

By John Thornhill in London

NORTON OPAX, the UK specialist print and packaging group, has reversed its previous decision and entered into talks with Bowater Industries which might lead to a recommendation of the packaging group's £385m ($599m) offer.

Norton also announced it would lapse its own £478m hostile offer for De La Rue, the bank-note printer.

These developments came after it became clear yesterday that Norton would not win shareholders' approval for its offer for De La Rue.

Norton had called an extraordinary general meeting for today to seek shareholders' consent, but the proxy votes which have already been cast indicated that its recommendation would be rejected.

As a result, Norton revised its evaluation of Bowater's offer and contacted Bowater at 11am yesterday and arranged a lunchtime meeting to discuss the offer. A further meeting was held later that afternoon at the offices of Samuel Montagu, Norton's financial advisers, leading to the announcement that Norton might recommend the offer.

Bowater said it was delighted that the Norton board had agreed to enter into discussions.

Mr John White, De La Rue's finance director, said he was not surprised by the outcome of Norton's vote. "We now look forward to getting on with our development free from the disruption of this sort," he said.

Norton launched its offer for De La Rue on August 21, but its bid was vehemently rejected. Less than two weeks later, the predator hecame prey, when Bowater made its hostile move against Norton.

UK housing slowdown hits John Laing

By Andrew Taylor, Construction Correspondent, in London

THE COLLAPSE of the housing market in southern England continues to hit UK housebuilders hard, resulting in John Laing's pre-tax profits falling 13.7 per cent from £24.7m to £21.3m ($19.7m) in the six months to June 30.

Laing's ordinary shares fell 16p to 280p and its non-voting A shares by 19p to 262p after the announcement of the results, which were worse than expected. In 1988 Laing earned 61 per cent of profits from UK housebuilding.

Mr Martin Laing, whose family owns about 66 per cent of the voting shares of John Laing, said the number of house sales completed by the group had fallen by a third, from 1,505 to 1,001, in the first six months of this year.

Earnings per share slipped from 18.4p to 16p. The interim dividend was unchanged at 3p.

Mr Laing said the group's results would have been worse but for increased profits from UK contracting and from the group's Californian housebuilding business.

The group expected to sell between 800 and 900 homes in California this year, compared with 380 last year. It was now poised to start building houses near Washington, DC but these would not produce profits until next year.

Laing's construction order book, mostly in the UK, rose 25 per cent to £1.25bn in the year to the end of June.

Group turnover rose from £612m to £653m in the first half. Analysts forecast that the company would be unlikely to make much more than £60m pre-tax profits for the full year.

Hüls seeks to acquire Plexiglas producer

By Haig Simonian in Frankfurt

HUELS, the fast-expanding chemicals subsidiary of Veba, the diversified West German energy group, is seeking to buy Röhm, a sizeable German chemicals company best known for its Plexiglas products.

The acquisition would consolidate further the position of Hüls as Germany's fifth biggest chemicals concern, while giving it an important niche in domestic finished products.

Last February the US authorities cleared the way for Hüls to take over a Monsanto subsidiary prodncing silicon wafers for the alectronics industry.

Hüls, which raised group sales by 62 per cent to DM8.24bn ($4.2bn) last year, has had a 43 per cent stake in Röhm since 1979. Based in Darmstadt in central Germany, Röhm is a family-owned group employing almost 8,000 workers.

Gronp sales amounted to DM1.86bn last year, while net profits rose by 18 per cent to DM108m.

However, the deal may yet be blocked by the Federal Cartel Office on competitive grounds. Although Hüls does not produce Plexiglas, it is an important source of the chemicals required in the production process.

The cartel office has been keen to avoid excessive concentration in the chemicals industry. An earlier informal initiative hy BASF to take over Röhm was withdrawn following reservations from the cartel authorities.

Hüls has decided to press its application, lodged on August 23, in spite of similar indications from the cartel anthorities that any bid wonld require careful investigation.

A decisive factor will be whether Röhm has already been under strong inflnence from Hüls – meaning that competitive circumstances will hardly change – or whether, in spite of the large Hüls stake, it has been following a wholly independent course which would now be altered.

The office has four months to look into the application.

B&W forms nuclear joint venture with Framatome

By George Graham in Paris

BABCOCK & WILCOX, the engineering subsidiary of McDermott International, the US energy services group, has formed a joint venture with Framatome, the Freoch nuclear plant builder, to supply maintenance services to North American nuclear reactor operators.

The two companies also said they planned to work on the development of a new generation of pressurised water reactors specially designed for the US market.

The joint venture follows an earlier agreement between the two companies, along with two other French nuclear fuel suppliers, to co-operate on selling fuel to American nuclear power producers.

Framatome has also formed a joint venture witb KWU, the engineering subsidiary of Siemens, to team up on bids for new nuclear plants outside their home countries.

Mr Jean-Claude Lény, chairman of Framatome, said yesterday that the new agreement stemmed from the success of B & W Fuel Company, the joint venture in which Framatome and its two Freoch partners, Cogema and Uranium Pechiney, have 49 per cent.

Babcock and Framatome will each have 50 per cent of B & W Nuclear Service Company, the new joint venture, which aims to offer a complete range of services to operators of pressurised water reactors.

The new company, with about 750 employees, will build on the maintenance and service activities of Babcock's nuclear division, adding the services and technology developed by Framatome.

The two companies said that US power companies, who operate 113 nuclear reactors with a capacity of about 100,000 MW, spent a total of $7.4bn on maintenance operations last year, and that an estimated $2.5bn to $3hn of tbis was supplied hy outside contractors.

Mr Charles Pryor, chief executive of the B & W nuclear power division, estimated the market in which the new joint venture would compete at around $1bn.

Capital reshape for Snecma

By William Dawkins in Paris

THE FRENCH GOVERNMENT yesterday announced a FFr2.3hn ($346m) capital restructuring for Snecma, the state-owned producer of aircraft engines.

Paris is planning to transform FFr2.3bn of existing state loans into equity capital at an extraordinary general meeting on October 25 with Snecma's two minority private shareholders.

If the private shareholders – United Technologies of the US and Alspi, tha French holding company – participate in the plan, the value of the restructuring will rise to FFr2.42bn.

The company was unahle to confirm whether or not Snecma had sought European Commission clearance for the restructuring, under EC restrictions on state aid. However, the commission has traditionally taken a flexible view on state financial support for the aircraft industry, seen as a strategic European asset.

The state loans had heen spent on new lines of military and civil engines and on lifting production from the present monthly rate of between 55 and 60 to 100 hy 1993. The recapitalisation would reduce interest charges to normal and safe levels, the company said.

Snecma, which supplies Airbus and Boeing through a joint venture with General Electric of the US, recently reported a turnround from FFr295m of losses in the first half of 1988 to FFr25.4m of profits in the six months to last June.

Next month's capital injection will come through the issue of 5.63m new shares at FFr430 each. They carry a nominal value of FFr100 and will lift the group's nominal capital to FFr1.53hn.

The state owns 95.2 per cent of the group's existing equity, giving it rights to FFr2.3bo of the issne. United Technologies holds 2.9 per cent and Alspi, the French holding company, has the remaining 1.9 per cent. It is not yet known whether they will also buy new shares.

If they took their full subscriptions, this would hring just over FFr100m of entirely new capital – as opposed to the restructured state portion - to Snecma.

Pirelli Tyre climbs 36% to Fl 180m

By Our Financial Staff

PIRELLI TYRE Holding, the Netherlands-based holding company for the tyre activities of Italy's Pirelli Group, boosted pre-tax profits by 35.9 per cent from Fl 132.7m to Fl 180.3m ($81.2m) in the first balf of 1989. Net profit after minority interests grew 20.5 per cent to Fl 102.1m.

The results are the first since Pirelli Tyre was set up in July witb a listing on tbe Amsterdam Stock Exchange. Pirelli interests retain a 76 per cent stake in the company.

Sales rose 22.8 per cent from Fl 2.73bu to Fl 3.36bn, with sligbtly less than balf the rise reflecting full six-month consolidation of Pirelli Armstrong Tire in North America. Figures for 1988 results are pro-forma.

The company said Europe unit sales both for car and truck tyres increased due to market growth. A good performance in truck tyres reflected strong acceptance of new products. In North America Pirelli Armstrong began marketing Pirelli brand tyres during the period.

INTERNATIONAL CAPITAL MARKETS

Montreal launches Canadian bond future

By Katharine Campbell

A GAP in the portfolio of international bond futures products will today be plugged by the Montreal Exchange which is launching a new future on Canadian government bonds.

While the Canadian bond market is the sixth largest in the world behind France in terms of outstandings, it has until now lacked a futures contract. An attempt by the rival Toronto Stock Exchange to bring a 15-year bond future flopped miserably several years ago.

The US Treasury bond future has been a sufficiently inadequate cover for Canadian interest rate risk for the trade between the respective futures and cash instruments to be dubbed the "Texas chainsaw hedge."

The new contract is based on a notional bond with a value of C$100,000 and bearing a 9 per cent coupon. Stock with a meturity ranging between six and a half and 10 years will be deliverable against the future, which dovetails with some of the most active international futures contracts — notably the US Treasury note future, and the Japanese, French, German and Australian 10-year contracts.

Although much of the Montreal Exchange's derivatives business comes from stock options, the market already trades options on five, 10- and 15-year government bonds, as well as a rather inactive future based on three-month domestic bankers' acceptances. Total government bond options in August amounted to 40,000 contracts.

Montreal hopes to steal a march on its rival and once junior market, the Toronto Stock Exchange, by developing a successful derivatives niche of pronounced international appeal. There are plans for an option on the new future early next year, possibly followed by a five-year bond future.

The Montreal Exchange hopes it has learned from the failure of the first bond future and judged its timing correctly. An official said he was expecting around 50 traders in the two newly-fashioned pits, including 15 "locals." Indicative of the foreign interest Montreal has managed to generate, Goldman Sachs has recently joined the exchange.

All the same, officials are predicting a modest start of 2,000 contracts a day, rising to between 5,000 and 10,000 contracts next year.

Exxon $250m deal meets with cool reception

By Norma Cohen

EXXON CAPITAL Corp yesterday became the fourth borrower to issue Eurobonds via a US-style underwriting and placement syndicate, only to find that its securities were greeted more coolly than those of its predecessors.

In explaining the disparate

INTERNATIONAL BONDS

performance of the new Exxon securities, members of the placement group said the yield was simply insufficient to attract investors in the current market environment. Unlike previous lead managers which have used the US-style syndication process, pricing was set by sole underwriter Credit Suisse First Boston without consultation with members of its placement group.

The lesson, they said, was that no amount of tinkering with the distribution and underwriting system for eurobonds would compensate for appropriate pricing of new issues.

In a US style operation, underwriters agree to sell at the launch price until the syndicate breaks — a move which is not supposed to occur until all the bonds have been distributed and underwriters have earned their fees.

The previous three issues launched in the Euromarkets in this fashion have all been described as generously priced, with syndicates abandoned after several hours because supplies of securities were exhausted.

But Exxon's issue fared differently, according to placement managers, who yesterday said they still owned large portions of their $20m allotments of bonds.

Exxon issued a five-year $250m Eurobond bearing a coupon of 8½ per cent and priced initially at 99.80 per cent for as long as the placement group held together. At that price, the securities yielded 38 basis points over US Treasuries. When the 32¼ basis point fee to placement managers is taken into account, the bonds offer a launch spread of 45½ basis points over Treasuries, a much more realistic pricing level.

Market traders said that CSFB had struck a deal with Exxon on Wednesday afternoon in New York to bring the bonds at a price of 99.80 per cent, only to see prices of US Treasuries fall sharply after that. However, following news of a lower than expected rise in US retail sales for August announced yesterday, Treasury prices improved and CSFB opted to go ahead with its offering. The traders said CSFB had been asked by placement managers to quickly break the syndicate because bonds could not be placed at the offering price. However, dealers said investors were likely to purchase the securities at prices sufficient for them to make some profit, albeit a more modest one than the 32¼ basis point fee.

CSFB was quoting the securities at 99.55 bid to 99.65 offered late yesterday, a level deemed roughly in line with investor demand.

Among other new issues, Volkswagen International Finance launched a L150bn five-year Eurobond, its first ever in that currency. The issue, co-lead by Credito Italiano and Bankers Trust International, carries a coupon of 12½ per cent and is priced at 101⅞ per cent.

In an otherwise weak market in West Germany, the USSR's Vnesheconombank's DM500m seven-year issue rose sharply in afternoon trading. The bonds, launched on Tuesday, had been trading earlier in the day around less 2.50 per cent bid, but rose to less 1.85 by the end of the day.

Dealers attributed the price rise to the demand from retail investors attracted by the high yield.

The bonds carry a coupon of 7¼ per cent, a price of 100¼ and fees of 2¼ per cent.

Danish plan to encourage small savers

By Hilary Barnes in Copenhagen

POSTAL SALE of government bonds and the setting up of a state lottery have been proposed by a Danish committee commissioned to find ways to increase household savings in the country.

These and other proposals by the government-backed committee were welcomed yesterday as common sense by Mr Niels Helveg Petersen, the Minister for the Economy.

Savings by Danish households last year amounted to around 2 per cent of after-tax income, one of the lowest rates in Europe. This low savings ratio has contributed to Denmark's chronic balance of payments deficit.

The committee's proposals for the postal sale of government bonds is designed to make them easier for small savers to buy. The postal system would bypass the usual sales channels and so reduce commission costs.

The planned lottery would be in the form of savings in special bank accounts with no interest.

Greece offers Ecu-linked bond

GREECE is offering, from today, a three-year, 9.5 per cent bond index-linked to the European currency unit to protect investors from depreciation of the drachma, Reuters reports.

The bond will be issued at par with a face value in Ecu and drachmas. Interest and final payment are based on the Ecu value but made in drachmas at the prevailing exchange rate on payment days. The tax-free bond will be traded on the Athens Stock Exchange.

Foreign money brought into Greece to purchase the bond may be freely converted and leave when the buyer sells the bond or the issue expires, the Bank of Greece said.

The bank pointed out that the D-Mark represents about 35 per cent of the Ecu's value and said investors would be "protected from every unfavourable circumstance."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Exxon Capital Corp.(a)◆	250	8½	99.80	1994	0.325	CSFB
CANADIAN DOLLARS						
Vereins-und Westbank Int(a)◆	75	11⅛	101⅝	1991	1⅛/⅝	Bankers Trust Int.
LIRE						
Volkswagen Int. Fin.(a)◆	150bn	12½	101⅞	1994	1⅞/1¼	Credito Italiano
AUSTRALIAN DOLLARS						
CIBC Australia(a)◆	40	15½	101¾	1992	1½/1	Fay, Richwhite
YEN						
Montreal Trust Co.Canada(b)◆	6bn	Zero	84.52	1993	1⅜/⅞	Mitsui Trust Int.
SWISS FRANCS						
Carter Holt Harvey Fin.(c)$◆	125max	5½	100	1994	1⅝	S.G. Warburg Soditic

◆Final terms. a) Non-callable. b) Unlisted. c) Coupon fixed as indicated. Conversion price NZ$3.45, exchange rate NZ$1 per SFr1. Yield if not converted 6.025%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 7 92	150	96	96¾	+0⅝	+0⅜	8.73
B.F.C.E. 9¼ 95	150	102⅝	102⅝	+0⅛	+0⅝	8.72
Brit. Tel. Fin. 9⅜ 98	250	103⅝	103⅞	+0⅜	+0½	8.81
Canada 9 96	1000	102⅞	103⅛	+0⅜	+0⅞	8.39
Canadian Pac 10⅝ 93	100	*102½	102⅞	0	0	9.89
C.C.C.E 9¼ 95	300	101⅞	102¼	0	+0⅜	8.72
C.N.C.A 9¾ 93	150	101¼	101⅝	+0⅛	+0⅜	5.98
Credit National 8¾ 93	200	98½	99	-0⅛	+0⅜	8.64
Credit National 7¾ 92	100	96⅞	97¼	+0⅛	+0⅛	8.73
Credit National 9½ 92	160	†101⅛	101⅜	0	+0⅛	8.88
Dai-Ichi Kan 9⅝ 92	150	102	102¼	+0⅛	+0½	8.79
Denmark 7¼ 92	500	96	96½	+0¼	+0⅜	8.84
E.E.C. 7 91	100	96½	97	0	+0¼	8.64
E.E.C. 7¼ 93	250	95⅝	96⅛	+0⅛	+0⅜	8.65
E.E.C. 10 93	140	†103⅝	104	+0⅛	+0½	8.69
Eurofima 10½ 93	100	*104	104½	0	+0⅛	8.68
Elec. De France 9 98	200	101¼	101¾	+0⅛	+0⅜	8.73
Elec. De France 9½ 99	200	104	104½	+0⅛	+0⅜	8.82
Finland 9 96	250	†100⅞	101⅞	0	+0⅛	8.76
Finn. Exp. Cd. 8½ 92	200	99⅛	99½	0	+0⅜	8.81
Finn. Exp. Cd. 9¾ 95	200	†102⅛	102⅝	0	+0⅛	8.82
Finn. Exp. Cred. 10⅝ 91	100	†101⅛	101⅞	-0⅜	-0⅛	9.40
Ford Motor Credit 8 91	250	†98¼	98¾	+0⅛	+0⅛	9.04
Gen. Elec. Cap. Corp. 9 93	500	†100⅝	101⅛	+0⅛	+0⅞	8.72
Gen. Elec. Cap. Crp. 10 1/2 91	300	†102⅛	102⅝	+0⅛	+0⅜	8.68
G.M.A.C. 9 96	300	99⅞	100⅛	+0¼	+0⅞	9.01
Gen. Mtrs. Corp. 9⅞ 92	200	100½	101⅞	+0¼	+0⅞	8.79
IBM Credit Corp. 8⅞ 91	250	100¼	100¾	+0⅛	+0⅜	8.58
IBM Credit Corp. 9 92	250	100⅞	101⅛	-0⅛	-0⅛	8.57
IBM Credit Corp. 9½ 92	250	101⅞	101⅞	0	+0⅛	8.74
IBM Credit Corp. 10 92	200	103	103⅜	0	+0⅜	8.59
Italy 9⅞ 95	1000	103	103⅞	-0⅛	0	8.81
Italy 9⅞ 99	1000	104⅛	104⅞	-0⅛	+0⅛	8.89
Itoh C. W/W 4⅝ 94	1000	99¼	100¼	+0¼	+1⅞	4.68
Japan Dev. Bank 10 96	200	105½	105⅞	-0⅛	+0¼	8.83
L.T.C.B. of Japan 9⅞ 92	200	100⅞	101⅛	+0⅛	+0⅛	8.85
Metropolis Tokyo 9½ 93	200	102	102⅜	+0¼	+0⅛	8.66
Nippon Tel. & Tel. 9⅝ 98	250	102⅞	103⅜	0	+0⅛	8.85
Norway 8¼ 93	500	100⅜	100⅞	+0⅛	+0⅜	8.50
Portugal 8¼ 91	300	†98	98½	0	0	9.47
Prudential Crp. 8⅞ 94	125	99¼	100⅛	0	+0⅛	8.74
Sumitomo Bank 9⅝ 92	150	†102	102½	+0⅜	+0½	8.74
Sumitomo Corp. W/W 4 93	1500	†106¼	107¼	+0⅞	+2⅛	2.12
Sweden 7 91	250	96⅜	97⅜	0	+0⅜	8.64
Sweden 8¼ 96	200	100⅛	100¼	0	+0¼	8.63
Sweden 8½ 92	200	†98⅞	99⅜	+0¼	+0¼	8.84
Toyota 9½ 91	200	101⅛	101⅞	+0¼	+0½	8.64
Toyota Mtr. Corp. W/W 4 93	1500	†102	103	+1	+0⅛	3.27
Victorian Rep 11⅛ 92	150	†105½	106	+0⅛	+0¼	9.02
World Bank 7 92	300	†96⅛	96⅞	0	+0⅜	8.68
World Bank 9 97	300	101½	101⅞	+0¼	+0⅜	8.68
World Bank 9 93	300	101	101⅛	0	+0⅛	8.62
World Bank 9⅞ 98	300	102⅞	103⅛	+0⅛	+0⅛	8.75
World Bank 9⅝ 99	500	105	105⅜	0	+0⅛	8.78
World Bank 9¼ 96	300	104⅝	105	+0⅛	+0⅛	8.76

Average price change... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	95	95½	0	-0⅜	7.10
Austria 6¼ 99	750	†97¼	97½	-0¼	-0⅜	7.13
Bk.Frgn.Econ.USSR 7 96	750	†95	95⅜	—	—	7.95
Bank of Tokyo 5¾ 93	100	95½	96	+0⅜	+0⅝	7.17
Commerzbank o/s. 5⅝ 93	300	94⅞	95⅜	+0⅜	-0¼	7.10
Credit Foncier 6¼ 99	500	97¼	97⅜	-0⅝	-0⅜	8.14
E.I.B. 6¼ 99	600	95¼	94	-0⅜	-0½	7.16
E.I.B. 6½ 99	300	†95¼	95⅝	-0⅜	-0⅜	7.18
E.I.B. 6⅞ 96	600	97⅜	97⅞	-0¼	-0⅜	7.08
E.I.B. 6⅞ 95	300	98⅞	99⅜	-0⅜	-0⅜	7.05
Euro.Coal & Steel 5⅞ 97	175	93	95½	-0⅜	-0½	7.07
Eurofima 6¼ 96	100	94½	95	0	-1⅜	7.25
Elec De France 5¼ 97	300	92⅜	92⅞	0	-0¼	7.05
Hydro-Quebec 6¼ 99	300	†97¼	97⅝	0	-0¼	7.11
Japan Dev. Bk. 5¼ 95	300	†92½	93	-0½	-0½	6.97
Japan Finance 5¼ 97	100	92¼	92¾	0	-0⅜	7.07
I.A.D.B. 7¼ 99	300	99⅝	100⅜	-0⅝	-0⅝	7.24
Ireland 6½ 97	300	94¼	95¼	-0¼	-0⅝	7.37
Ireland 7¼ 99	500	99⅜	99½	-0¼	-0⅝	7.35
Malaysia 6¼ 94	150	96¼	96¾	0	-0¼	7.13
Nat. West BK. PLC 6 98	300	†91⅜	92⅞	-0⅜	-0⅜	7.29
N.H.L. Finance 6¼ 95	200	†94⅜	95¼	0	-1¼	7.28
Nippon Telg.&Tel. 6 95	400	†95⅜	95⅝	+0¼	-0⅜	6.40
Oesters. Kontbk. 5 93	300	93	93½	-0⅜	-1	7.31
Portugal 5⅞ 92	150	95⅞	96¼	-0¼	-0¼	7.33
Portugal 6⅝ 95	150	98½	99	-0½	-0½	6.89
Privatbanken 5¼ 93	150	93¾	94¼	+0⅜	-0¼	7.26
Royal Insurance 5½ 92	300	95½	96	-0¼	-0¼	7.35
Turkey 6½ 95	500	†94½	95	+0¼	+0¼	7.67
Union Bk.Finland 5½ 94	200	†93⅞	94⅜	-0⅝	-0⅜	7.14
World Bank 6 98	500	†92½	92⅞	-0¼	-0½	7.13
World BK. 6¼ 97	600	95⅜	95⅞	+0¼	+0⅛	7.39
World Bank 6⅜ 99	600	97⅜	97½	0	-0½	7.14

Average price change... On day -0¼ on week -0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†93¼	93½	+0⅛	+0⅜	6.21
Asfinag 5 03	100	†91½	92½	+1	0	5.85
B.F.C.E. 4½ 98	200	†89¼	90¼	+0¼	-0⅞	5.99
B.M.W.Fin.Neth. 5 13	150	†84½	85½	+0½	-0⅝	6.23
Britannia B/S. 4¼ 94	100	†89½	90¼	+0⅜	-0⅜	6.75
CIR. Int. W/W 3 93	125	†94	96	+1	+3⅝	4.44
Credit Lyonnais 4¾ 00	100	†87½	88	0	-1⅜	6.36
E.I.B 4⅝ 98	150	†91	92	+0¼	-0¼	5.89
Fletcher Chall. 4⅞ 98	150	†78¼	79	-1	-4	8.43
Kobe City 4⅝ 98	150	†90	91	+0¼	-1⅜	6.04
Leeds Perm. B/S. 4⅜ 93	200	†90½	91½	+0¼	-0¼	7.04
Malaysia 5¼ 98	100	†90	92⅝	+1¼	-0¼	6.59
Maxwell Comm.Crp. 5 95	150	†83	84	+0⅝	+0⅝	8.76
Nat. Bk. Hungary 5½ 94	75	†91	91¾	-1	-1	7.53
Nationwide Ang.B/S. 4 93	200	†91½	92	0	+0⅝	6.54
Nippon Telg.&Tel.4⅞ 95	200	†90⅝	91	0	-1¼	6.15
Oesters.Kzbk. 5 03	75	†90	91½	0	-0¼	6.00
Prov. Newfoundland 5 03	150	†89½	90	-1¼	-3⅛	6.09
Thailand 4⅝ 95	200	†88½	90	-2	-3¼	6.93
World Bank 5 03	150	†87½	88⅛	-0⅜	-2⅝	6.31

Average price change... On day -0⅜ on week -0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅜ 91	80	100¼	101	-0⅛	-0⅜	5.44
Canada 5⅜ 93	80	100⅝	100⅞	-0⅝	-0⅛	5.40
Eurofima 5 1995	20	97⅝	98	-0¼	-0¼	5.47
E.I.B. 4⅞ 93	30	98	98⅛	-0⅜	-0⅛	5.47
Ireland 5⅝ 93	30	98⅝	99⅝	-0⅝	0	5.46
Norway 5⅛ 95	50	98⅜	98⅞	-0⅜	-0⅜	5.38
Sweden 4⅝ 93	50	97⅛	97⅞	-0¼	-0⅝	5.47
World Bank 5⅛ 98	10	97⅜	98⅜	-0⅜	-0⅞	5.44
World Bank 7 94	20	105⅝	106⅛	-0⅞	-0⅝	5.45

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11⅝ 95 £	100	98	98⅝	-0⅛	0	12.08
Aegon 7¾ 92 FL	100	101	101½	0	-0⅛	7.80
Alg. Bk. Ned. 5¾ 93 FL	200	95¼	95⅞	0	-0⅝	7.23
Austria 7⅜ 94 ECU	100	95½	96	0	-0⅛	8.65
Bk.Nova Scot.14⅜ 90 AS	75	†97⅞	98⅜	+0⅜	+0⅝	16.57
Barclays Aus.13½ 91 AS	100	95⅝	96⅝	+0⅛	-0⅜	15.93
Belgium 8⅛ 94 Ecu	150	97⅝	98¼	+0⅜	0	8.70
BP Capital 9⅜ 93 £	100	93⅝	94⅜	0	0	11.81
British Airways 10 98 £	100	91½	92	-0⅝	0	11.55
Brit. Telecom 9½ 93 £	150	93⅝	94⅛	0	-0⅜	11.69
Comm. Bk.Aust. 12⅝ 93AS	100	†93⅞	93⅞	+0⅝	-0⅜	14.92
Comm. Bk.Aus.13¾ 94 NZS	60	103	103⅜	-0¼	-0⅜	12.84
Credit Foncier 9 96 Ecu	100	101	101½	0	-0¼	8.74
CrLocalFrance 9¼ 92Ecu	100	101½	102	0	-0⅜	8.48
Deut. Bk.Aus. 13¾ 95 AS	125	97¼	98⅜	0	-0⅜	13.98
Deutsche Bk.Fin. 15 94 AS	100	101⅞	102⅜	0	-0½	14.30
E.I.B. 7 96 LFr	100	†97	98	0	0	7.50
E.I.B. 9 99 Ecu	150	101⅜	101⅞	-0¼	0	8.75
Eurofima 7⅝ 94 Ecu	100	96⅜	96⅝	0	-0⅝	8.56
Export Dv.Crp.8¾ 92Ecu	100	100⅜	100⅞	-0⅝	-0⅜	8.44
Fed.Bus.Dv.Bk. 9 94 Ecu	100	100½	101	0	0	8.78
Fed.Bus.Dv.Bk.9¼ 92 CS	75	†97⅞	98¼	-0⅝	-0⅜	10.59
Fed.Bus.Dv.Bk.10½ 93CS	50	†99½	100	-0¼	-0⅜	10.56
Ferrv. Stato 7¼ 93 Ecu	100	96⅝	96⅞	-0⅝	-0¼	8.83
Ford Cr.Can.10⅜ 93 CS	100	†99⅝	100⅜	-0⅜	-0¼	10.70
Ford Cred.Can.10⅞ 96CS	125	101⅝	102	-0⅝	-0¼	10.49
Ford Cred.Fund.10⅜ 93£	60	96⅜	96⅝	0	+0⅜	11.80
G.M.A.C.Canada 11 3/4 94CS	100	103⅜	103⅞	-0⅝	-0⅝	10.71
Heineken 7⅝ 94 FL	150	102⅝	102⅞	+0¼	-0¼	7.56
Hydro-Quebec 11 99 CS	400	103¼	103⅝	-0⅜	-0¼	10.40
I.A.D.B. 7¼ 99 FL	200	98¼	99¼	0	-0¼	7.39
Lloyds Bank 10¼ 98 £	150	92⅞	93⅝	0	0	11.54
Lloyds Bank 11⅜ 98 £	100	96	96⅞	0	0	12.05
Montreal Tst.10¼ 93 CS	100	†99⅝	99⅞	-0⅜	-0⅝	10.85
Nat. Aus. Bk. 14¼ 94AS	100	99½	100	+0⅜	-0⅜	14.75
New Zealand 9½ 93 £	100	92⅝	93⅜	-0⅜	0	11.99
O.E.K.B. 10¼ 99 CS	150	100¼	100½	-0⅜	-0⅜	10.20
Privatbanken 7½ 94 LFr	500	†98	99	0	0	7.89
Royal Bk.Scot.10⅝ 98 £	125	94⅝	95⅝	+0⅝	0	11.63
Saskatchewan 9⅞ 91 CS	150	†97⅞	98⅜	0	0	11.01
Saskatchewan 10¼ 93 CS	200	99	99½	-0⅝	-0⅜	10.46
State Bk.NSW. 13⅜ 93AS	100	95¾	96¼	+0⅛	-0½	15.17
Sweden 7½ 93 Ecu	250	96	96½	-0⅜	-0¼	8.59
Sweden 15 94 AS	100	102	102½	0	-0⅜	14.21
Toyota Mtr.Cr.11⅜ 92CS	150	101¼	101¾	-0⅛	-0⅜	10.65
World Bank 13⅜ 92 AS	100	98½	99⅝	+0¼	-0⅝	13.89
World Bank 14⅜ 94 AS	75	99⅞	100⅝	0	-0⅜	14.19
Zentrspk. 13¼ 93 AS	75	†96⅝	96⅞	0	-0⅝	14.49

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	100.02	100.07	24/10	14.08
Bank of Greece 99 US	0¼	99.58	99.69	8/03	9⅞
Belgium 91 US	0	100.13	100.23	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.96	100.01	30/11	14.06
Credit Foncier 98 US	.063	100.05	100.15	20/10	10.16
Dresdner Finance 99 DM	.031	99.86	99.97	30/10	6.97
EEC 3 92 DM	0	100.27	100.37	22/02	6¼
Halifax BS 94 £	.1	100.15	100.20	9/11	13.97
Invt. in Industry 94 £	0¼	100.09	100.19	24/11	14.06
Leeds Perm. B/S. 94 £	0⅜	100.22	100.27	13/10	14.06
Milk Mkt. Brd. 5 93 £	0⅛	99.99	100.04	29/09	14.31
New Zealand 5 97 £	.07	100.07	100.17	18/11	13.19
Northern Rock 92 £	0½	99.94	100.00	20/01	5¼
State Bk. Nsw. 98 US	.188	100.22	100.32	11/02	8.81
Woolwich Equit. BS. 93 £	0⅜	100.21	100.26	13/10	14.06
Woolwich 5 95 £	0⅜	100.11	100.16	21/11	14.06

Average price change... On day +0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcza 6¼ 02 US	8/87	62	124⅝	125⅜	+0¼	3.40
Amer. Brands 7¼ 02 US	9/87	56.7	128⅛	129¼	-2¼	-1.45
CBS. Inc. 5 02 US	*4/87	200	105½	106⅜	-0⅜	2.05
Primerica 5½ 02 US	4/87	66.75	72⅝	73⅝	-0⅜	78.27
Eng.China Clay 6½ 03 £	9/88	4.8	103⅜	104¼	0	5.29
Fujitsu 3 99 US	5/84	1106	213¼	214¼	+0⅜	-0.35
Ladbroke 5¼ 04 £	6/89	7.1	106⅛	107⅛	+0¼	123.84
Land Secs. 6¼ 02 £	6/87	6.72	97	98	-0¼	12.63
Minolta Camera 2¼ 94 DM	2/86	1004	112¼	113¼	+0⅜	7.27
MCA Inc 5½ 02 US	9/87	49.62	100¼	101¼	-0¼	14.59
Mitsubishi Bk. 3⅞ 04 US	5/89	3266	91¼	92¼	+0¼	4.04
Next Plc 5¼ 03 £	11/87	4.3	101	102	0	225.71
Nikki Nipp.Bk.2⅞ 03 US	4/88	884	115	116	+0⅜	-3.57
Omaken Inc. 6 1/2% 04 US	10/89	28	101⅛	102⅛	+0¼	20.04
Onirun Tateisi 2⅞ 02 US	4/87	1310	264	265	+0¼	2.06
Ranks Hovis 4⅞ 03 £	1/88	3.5	129	130	+0¼	-2.94
Redland 7¼ 02 £	1/87	5.4	106¼	107⅛	+0⅜	1.78
Saatchi & Sktd.6¼ 03 £	*10/89	4.41	94	95	0	26.67
Silicon Graphics 8 04 US	6/89	23.18	108¼	109¼	+3½	10.81
Sumitomo Bank 3⅜ 04 US	2/89	42%	83	84	+0¼	15.67
Texas Inst. 2⅞ 02 US	9/87	82.87	77⅛	78⅛	+0¼	60.31
Utd.N'papers 8 04 £	10/89	8.77	113⅛	114⅝	0	102.90
W.R. Grace 6¼ 02 US	9/87	42.12	99⅜	100⅝	-0½	16.06

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

US Treasuries advance as retail sales weaken

By Janet Bush in New York and Katharine Campbell in London

A LOWER than expected rise in US retail sales in August and a substantial downward revision in July helped the Treasury bond market to respectable gains yesterday morning.

At mid-session, the Treasury's benchmark long bond was quoted ¾ point higher for a yield of 8.01 per cent, recouping a good portion of Wednesday's loss. There were matching gains in medium-dated hond issnes; and short-dated maturities were quoted around ¼ point lower.

Economists had on average expected retail sales to rise by around 1 per cent in August but they gained only 0.7 per cent. In addition, July's increase was revised down to a gain of 0.5 per cent from the 0.9 per cent previously reported.

Another feature, positive for bonds, was that, excluding cars, sales rose by only 0.2 per cent in August, the same as July's gain without cars.

With monetary policy evidently on hold, the bond market is looking for evidence that the economy is slowing more markedly than suggested by data released over the last few weeks and therefore for any justification of a further easing in interest rates.

The Fed apparently signalled that monetary policy would not be eased in response to the retail sales figures by draining reserves from the money market as a protest against a 8¾ per cent Fed funds rate. The target is still 9 per cent to perhaps 9¼ per cent.

The retail sales figures released yesterday appeared to have had a dampening effect on dollar demand although the US currency was also under pressure from intervention by the Bank of Japan.

However, the dollar helped bonds to maintain their morning gains by rebounding from its New York lows of Y145.45 and DM1.9590 to be quoted at Y146.55 and DM1.9700 at mid-session.

The tone of the bond market was still cautious yesterday as traders waited for today's batch of economic data. The August producer prices index is expected to be flat. Also due are August industrial production and capacity utilisation figures.

■ THE WAGE figures for which the UK governmant bond market had been on tenterhooks for most of the week were bang in line with expectations, leaving the market largely without inspiration.

Average earnings in July increased 9.25 per cent, compared with 9.00 per cent the previous month. However, August unemployment fell slightly faster than expected, down 36,200. That, combined with the sizable downwards revision to second-qnarter invisibles (increasing the second-quarter current account deficit to £4.9bn from £4.63bn) exercised a slightly negative influence.

During the morning, trading was almost entirely concentrated in the futures pit, with market-makers positioning themselves ahead of the data release, although dealers reported a little retail activity during the afternoon.

On Liffe, the December long gilt future closed just $\frac{1}{16}$ point weaker at 94$\frac{13}{32}$, although the cash market drifted lower towards the end of the afternoon.

■ THE FRENCH market weakened again yesterday, unimpressed by an apparent halt in the dollar's advance. Moreover, the French franc had itself been weakened by the bond market's steep fall the previous day. The 10-year notional bond future on Matif closed comfortably above the day's low of 107.74 at 108.04, still 18 basis points down over a busy session with more than 100,000 lots traded.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	108-01	-1/32	11.10	11.04	10.78
		9.750	1/98	98-25	-4/32	10.33	10.28	10.03
		9.000	10/08	96-11	-3/32	9.42	9.36	9.18
US TREASURY *		8.000	8/99	99-10	+13/32	8.10	8.15	8.18
		8.125	8/19	108-07	+9/32	8.18	8.09	8.17
JAPAN	No 111	4.600	6/96	95.5526	-0.400	5.34	5.30	5.09
	No 2	5.700	3/07	104.7761	-0.387	5.18	5.16	5.00
GERMANY		6.750	6/99	98.7300	-0.050	6.93	6.87	6.69
FRANCE	BTAN	8.000	7/94	98.6126	-0.278	8.68	8.69	8.56
	OAT	8.125	5/99	97.0600	-0.040	8.57	8.44	8.38
CANADA *		9.500	10/96	99.8500	+0.100	9.52	9.46	9.41
NETHERLANDS		7.250	7/99	100.1400	+0.100	7.23	7.15	7.00
AUSTRALIA		12.000	7/99	93.9699	+0.105	13.10	12.98	12.98

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Madrid SE considers new range of options

By Katharine Campbell

THE MADRID Stock Exchange has appointed consultants to establish the feasibility of introducing a range of equity options, it emerged yesterday.

The Spaniards are clearly convinced of the role for derivatives products in the modernisation of their financial markets, because this is the third set of plans for an options or futures exchange to be announced in recent months.

The consulting arm of Arthur Andersen has been asked to report within six weeks as to whether there are sufficient stocks listed in Madrid that would warrant an options prodnct, and to see what institutional and retail demand there is for options.

Arthur Andersen developed the software for both the Swiss options market Soffex and the Deutsche Terminbörse. However, the Madrid exchange has not decided whether it would use an automated system, or deploy a portion of its increasingly empty physical floor where attendance has dwindled since the introdoction of the screen-based equities trading system, CATS.

Earlier this year, the Mercado Espanol de Futuros Financieros (MEFF) announced plans for two interest rate futures, and has apparently appointed a Danish company, Dansk Data Electronikk, to install an electronic trading and clearing system.

Meanwhile, at the beginning of the week, the Spanish central bank approved OM Iberica (OMib), the latest offshoot of the Swedish options market OM. OMib is scheduled to start in Madrid next month, initially with interest rate options, hnt aiming to list equity options later.

● Futures and options based on Danish government bonds will be introduced on September 22, according to the Guarantee Fund for Options and Futures, which supervises the Danish market.

The first government-loan futures will have maturities of three to six months. Futures with longer maturities will be introduced later. Outstanding government bonds total more than DKr35bn.

NYSE takes sting out of baskets

Janet Bush on US plans to cut the volatility of stock index trading

The New York Stock Exchange's proposed basket trading product would effectively create a highly automated institutional trading arena, partly separated from hut parallel with the existing stock market. As such, the concept has attracted both widespread support and disquiet.

On the simplest philosophical level, the debate over the new product, known as Exchange Stock Portfolios (ESP), is about achieving a healthy balance between individual investors, whose share of stock trading volume has dropped steadily over the last few years, and large institutions who increasingly dominate securities trading.

The NYSE filed ESP with the Securities and Exchange Commission in June and was hoping to start trading by the end of this month. That seems unlikely, given a number of complex, regulatory issues being examined by the SEC.

"This is an extremely detailed filing and raises a lot of regulatory issues," said Mr Richard Ketchum, Director of the Division of Market Regulation at the SEC. "An end-September deadline is undoubtedly tight."

Nevertheless, regulatory complications and natural fears about something new in some sectors of the market are not likely to stop the juggernaut of growing institutionalism. Ms Catherine Kinney, senior vice president, equities, at the NYSE, said that the first concern was to respond to the business needs of its customers who want to trade baskets.

Indexed or passive investing, in which a money manager will take a view of the entire market – as represented by a broad index such as the Standard & Poor's 500 – rather than buying or selling individual stocks is now believed to account for well over $200bn in portfolios.

Stock index arbitrage forms part of this strategy. To hedge their portfolios, institutions will make opposing, simultaneous trades in S & P 500 futures contracts which, at the same time, keeps the prices of the futures contracts and their underlying stocks close together.

While the NYSE's electronic Superdot system allowed institutions to enter 500 individual orders to buy or sell the component stocks of the S & P 500 in a single order, each trade still had to be executed individually on the floor and then put back together again.

"This puts enormous strain on specialists executing trades on the floor of the exchange and, according to some, puts individual investors at a disadvantage as the institutional orders come flooding onto the floor.

Several official studies of the October 1987 stock market crash argued that a break down in linkages between the futures and cash markets exacerbated the market decline at the time.

Institutions with huge passive investments and active in stock index arbitrage argued that there would be less volatility in the market as a whole – less price impact on individual stocks – if trading of baskets were made more efficient and kept at arms length from the traditional secondary market.

The NYSE's proposal attempts to do exactly this. It has not only come up with a basket product but also a market structure to accommodate its trading.

Initially, each ESP will be a standardised basket of stocks based on the S & P 500 index and will be worth around $5m. A basket can be traded intact in one, single order. In the future, the NYSE envisages offering ESPs based on other indices and perhaps even customised baskets, of particular interest to the large Wall Street block trading houses which do not want to be confined to baskets based strictly on an index.

The proposed rules provide for physical delivery of the underlying stocks represented in the ESP, a design which clearly designates the portfolio product as a security and therefore avoids any turf battles with futures regulators.

A judge ruled last month that the basket products launched in May by the Philadelphia Stock Exchange and the American Stock Exchange should be regulated as futures and, since then, trading in these baskets has been for liquidation of holdings only.

The NYSE envisages a group of competing market makers for ESPs, a departure from the system in the rest of the market where there is a single specialist for each stock. The reason for this is that no single market maker could be expected to provide a fair and orderly market for trading on this substantial scale.

Specialists will, in effect, provide the link between the price of a basket and the prices of its underlying stocks by providing an up-to-date quotation, combining bid and ask prices, for their particular stock.

There will also be a Basket Book Broker which acts as administrator and overseer of the entire basket market as well as providing prices of the 38 stocks in the S & P 500 quoted on the Nasdaq and American Stock Exchange.

ESP baskets will trade on a strict time and price priority, not on a priority set by the size of a trade, both on the floor of the exchange and on screens. All these trades will be large and there is an important provision that, at times of unusual volatility, the ESP market will convert from an auction system to a call market.

Ms Kinney acknowledged that, in developing this controversial new sub-section of the market, the NYSE was aware of competitive pressures. The exchange saw a need to work closely witb its institutional clients to prevent any shift in their trading overseas where foreign exchanges are sometimes more lightly regulated and are rapidly creating an array of derivative products to rival those in the US.

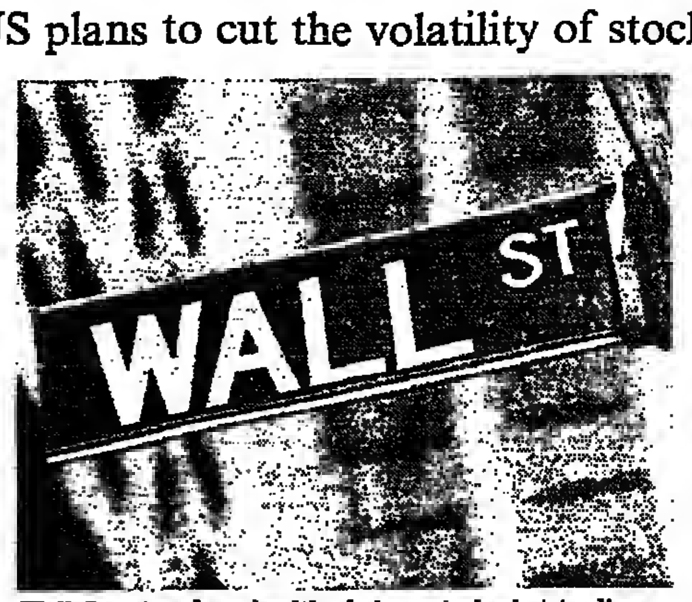
There are those, notably tbe Alliance of Floor Brokers, who are concerned that the proposal may have bent too far in favour of the institutions because of these competitive pressures.

The most controversial point is that the exchange has suggested that the SEC exempt ESPs from the "uptick" or "short sale" rule which prevents the short sale of a stock below the last reported price. It is designed to prevent a market participant from driving the market down to cover his short position at a favourably cheap price.

Critics of this exemption argue that an institution could get around the short sale rule by shorting a whole basket of stocks as a surrogate for going short of an individual stock.

The NYSE argues that it simply wouldn't be economic to use an instrument worth $5m to make a trade in a small number of individual stocks. It is absolutely essential for institutions trading baskets as part of a complex strategy using futures that they can move positions – often mirror images of each other in cash and futures – with as much flexibility as possible.

The SEC's Mr Ketchum, while agreeing that there are some regulatory issues attendant on the proposed exemption from the uptick rule, argues: "If an institution cannot sell in a down market, it substantially reduces the usefulness of the product."



Wall Street seeks a healthy balance in basket trading

Indonesian banks closed to foreign owners

MR JOHANNES Sumarlin, Indonesia's Finance Minister, said foreigners would not be allowed to buy shares in private banks, reversing an earlier statement, Reuters reports.

Last month, Mr Sumarlin said foreigners would be allowed to buy stakes of up to 49 per cent in all stock market listed shares.

He explained that any change in the laws on bank ownership needed parliamentary approval. Foreigners who bought shares of Panin Bank, Jakarta's only listed bank, will now be forced to sell them. Mr Sumarlin said he was not aware of any sales of Panin shares to foreigners, but brokers said they had been selling to overseas investors since Mr Sumarlin's earlier statement.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday September 14 1989

[illegible]

FIXED INTEREST

	PRICE INDICES	Thu Sep 14	Day's change %	Wed Sep 13	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.65	-0.02	117.67	-	8.67
2	5-15 years	132.81	-0.09	132.92	-	9.40
3	Over 15 years	142.70	-0.07	142.80	-	10.96
4	Irredeemables	166.08	-0.04	166.15	-	8.83
5	All stocks	130.45	-0.06	130.53	-	9.45
	Index-Linked					
6	5 years	140.23	-0.03	140.27	-	2.26
7	Over 5 years	138.80	-	138.79	-	2.89
8	All stocks	138.79	-	138.79	-	2.82
9	Debentures & Loans	113.81	-0.03	113.85	-	6.87
10	Preference	89.28	-0.07	89.34	-	3.92

	AVERAGE GROSS REDEMPTION YIELDS		Thu Sep 14	Wed Sep 13	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.72	9.70	10.01
2		15 years	9.34	9.31	9.65
3		25 years	9.25	9.23	9.33
4	Medium Coupons	5 years	10.76	10.67	10.42
5		15 years	9.75	9.74	9.90
6		25 years	9.37	9.37	9.60
7	High Coupons	5 years	10.81	10.78	10.57
8		15 years	9.95	9.94	10.03
9		25 years	9.53	9.53	9.88
10	Irredeemables		9.27	9.27	9.25
	Index-Linked				
11	Inflation rate 5%	5yrs	3.11	3.09	3.21
12	Inflation rate 5%	Over 5 yrs	3.52	3.52	3.90
13	Inflation rate 10%	5yrs	2.35	2.33	2.28
14	Inflation rate 10%	Over 5 yrs	3.36	3.36	3.74
15	Debs & Loans	5 years	13.10	13.08	11.73
16		15 years	11.93	12.01	11.33
17		25 years	11.30	11.39	11.17
18	Preference		10.34	10.19	10.11

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	72	29
Corporations, Dominion and Foreign Bonds	5	16	22
Industrials	231	526	847
Financial and Properties	56	233	350
Oils	23	33	35
Plantations	0	1	10
Mines	16	56	102
Others	20	129	104
Totals	385	1,066	1,499

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sep 11
- Last Dealings Sep 22
- Last Declarations Dec 7
- For settlement Dec 18

For rate indications see end of London Share Service

Calls in Asda, Rgina, Butte, Tuskar, Campari, Ryan Hotels, Meekathara, S Miller, Leis Inv, Charterhall, Wm Low. Puts in NCT, Rex Williams

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS – THE RESTRUCTURING OF BP EXPLORATION

BP confirms rumours of $1.3bn sale

MR JOHN Browne, managing director of BP Exploration, has lost little time stamping his personal imprint in BP'a future exploration strategy following his appointment less than six months ago.

On a closed-link satellite broadcast late yesterday afternoon to BP Exploration's principal offices around the globe, Mr Browne confirmed the rumours that had been swirling around the company for weeks: joh losses would cut deeply – nearly ooe in ten working for the company would have to go – and there would be a huge sell-off of the assets that BP no longer wanted.

Although a modest rationalisation and fiddling with BP's oil and gas assets had long heen in the wind, oothing approaching the scale of $1.31bn (£840m) in ooe deal had been anticipated earlier in the year, and certainly not the big cuts in staff.

BP is selling off 367m barrels of oil and oil equivaleot in ten North Sea fields. This amounts to about 9 per cent each of BP's production and acreage in the North Sea. It also comes to about 12 per ceot of the assets acquired during the Britoil takeover, which themselves make up just under half of the sale.

BP is also selling some of its oil and gas interests in Colomhia, Dubai, Ecuador, Gahon, Italy, and Indonesia although it retains other interests in some of these countries. Many of the assets will be subject to pre-emptive rights.

The sale nonetheless begs a qnestion: why, after spending billions of dollars to buy in the minority interests of Standard Oil in the US and paying £2.4bn for Britoil in the UK, is BP suddenly turning round and retrenching?

The answer is that this is not a true retrenchment, but a slimming and repositioning exercise that has probably only been made more severe hy the recent return from the US to London of Mr Browne, and Mr Robert Horton, chairman designate of BP. The two pnt through a similar, if proportionately more drastic, rationalisation at Standard Oil, which subseqnently became BP America.

BP's exploration division is the last in the group to be spared from the sort of restructuring that has taken place virtually everywhere else in the company since Sir Peter Walter took the helm as BP chairman in 1981.

BP and Britoil had long been seen in the industry as comfortahly overmanned, although reasonably effective finders and producers of oil and gas.

It is the asset disposals that signal the more radical thrust of the programme and BP is now setting the pace internationally for a hyper-active management of its portfolio.

This is arguahly less important for companies like Exxon or Shell, which have a better balance of assets to start with, hut even Shell is getting into the game and is expected to announce before long a hig North Sea asset swap with Amoco, the US company.

BP is saying that all barrels of oil are not equal, and that it is not simply in the business of adding barrels to its reserves and keeping them there until produced and sold.

BP, like the other big international oil companies, because of its sheer size, is necessarily top heavy with layers of bureaucracy, hidden within which are great repositories of technical and managerial capability that are the most enduring resources of the company.

Through acquisition and its own exploration efforts BP had accumulated oil assets that individually drew on those resources more or less effectively.

Because of the need for systematic controls on costs and operations in large organisations, it usually turns out to be nearly as expensive in terms of management time for a company like BP to work a well that produces ten barrels a day as 1,000 barrels a day and BP has concluded that it is more sensible to sell the small bits and pieces and look for something bigger, say in the 100m barrel range.

"We have to go for the higger stuff," says Mr Browne. "We really don't want to fritter away what are very specialised and highly skilled resources on looking for very small things."

"It is not elephants (huge billion harrel fields), because going elephant hunting is auper high risk. Exploration is high risk anyway. What you want to do is go for the next level up. What you don't want to do, for example, is work in the lower 48 (states of the US) onshore. We are not going to explore onshore in the lower 48."

It is this sort of logic that runs through much of the disposals. Assets that are too small, scattered abont, high tax payers, or so predictable that there is little for BP to do to improve the return, may be better off sold.

This is clearly the case for Oryx, which needed to make a hig acquisition in order to become a significant international player and for whom the leftovers on BP's plate were gourmet delicacies (or at the very least a wholesome meal).

But for BP the sale is more than just getting rid of the dross. It is aimed at freeing resources so BP can concentrate on the higher risk, higher reward end of the business.

Mr Browne foresees that the search for oil will become technologically more difficult, that costs will rise, and that government regulations on safety and environmental protection will all make life much more difficult for the oil companies in the next decade.

The net effect of failing to cut costs now, Mr Browne argues, would be to rednce future profitability that would in one way or another lead to a reduction in future investment.

Mr Browne said that even though BP Exploration will be a smaller company after the restructuring, its level of capital expenditure will continue to run between $3bn and $3.5bn in the years ahead, and that its exploration budget is aimed on a steady course of spending $800m a year. The difference is that more and more of that exploration hndget is being spent in what BP classifies as frontier basins.

BP says that there are still 300 unexplored basins in the world, and it is aiming to enter these basins first in order to make the very big discoveries, which it aays tend to be exhausted after five years.

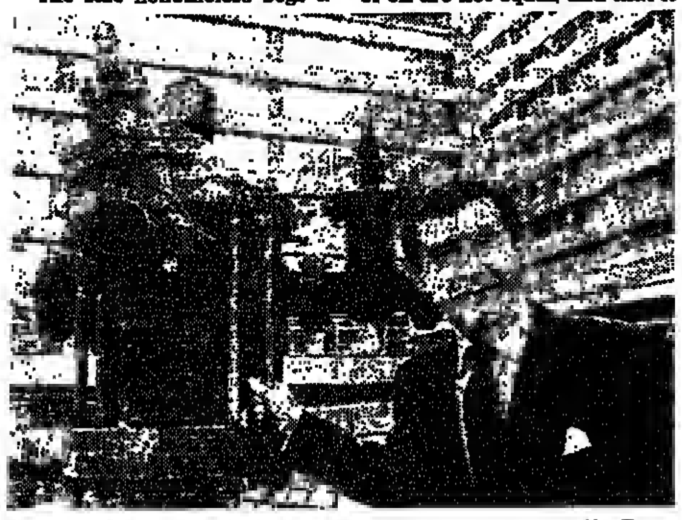
There are other important planks in the strategy. One is to focus more highly on gas, where BP is estahlishing a new central office division to co-ordinate global strategy. The US is a key area for expansion because of BP's weak gas position in this market, and an acquisition in the coming years that brings with it substantial gas reserves appears likely.

More subtle, and still to be fully defined, BP Exploration is putting all of its functional divisions and layers of organisation into a shaker and pouring out something that is simpler and more streamlined, with layers of reporting gone and duplicate capabilities, for example in research, eliminated.

"We have made life complicated for ourselves, and there are simple ways of doing things. If we focus on the things that matter to us then you can do it with fewer people," he says.

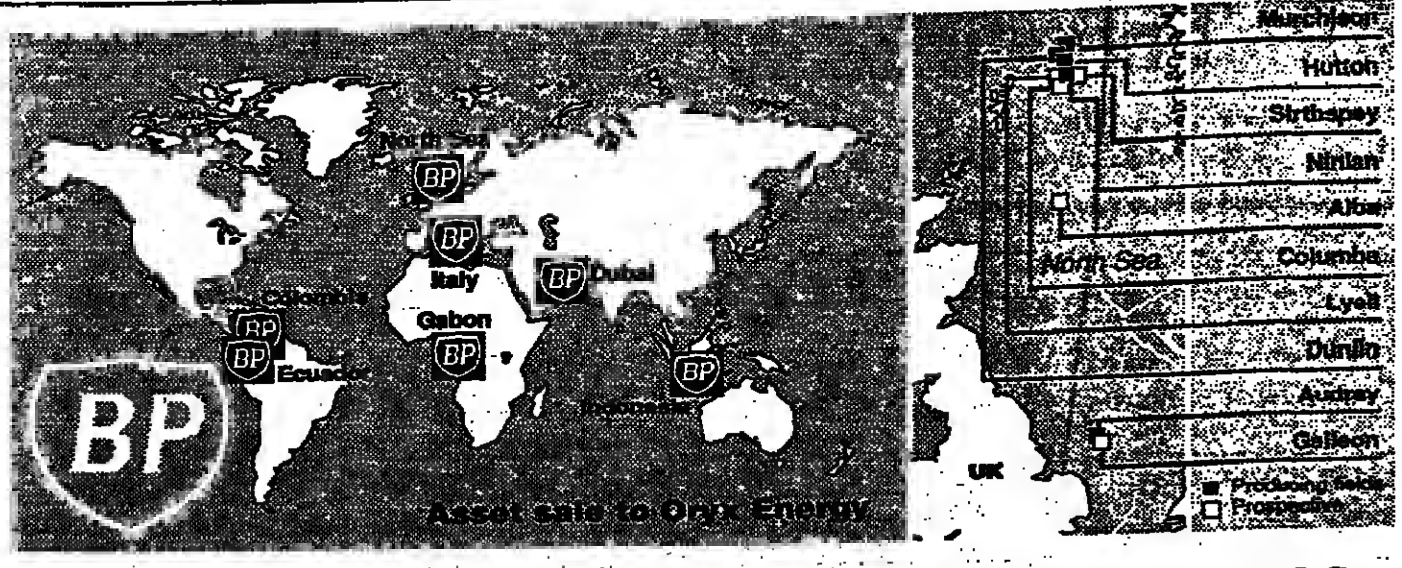
It is this effort that in the end will be the real test of Mr Browne's abilities. Long after the 1,700 jobs are gone, and the asset sales closed, the remaining employees of BP Exploration will still be fitting themselves into new chains of commands and areas of responsibility that are now just an idea. Many years from now, investors will know whether it has all been worth it.

Steven Butler



Alan Harper

John Browne: nearly one-in-ten jobs to go and huge sale of assets



Oryx Energy banks on a move overseas

ORYX ENERGY, the Dallas-based oil and gas company which is buying a bundle of producing fields and exploration properties from BP, is an unusual US independent for two reasons.

Oryx is very large, with almost a billion barrels of oil and gas in the ground, or nearly as much as such better-known integrated companies as Amerada Hess or Occidental Petroleum. Oryx is also, or was until yesterday's deal, the best capitalised company in the seat-of-the-pants world of the US independent oil sector.

The $1.31bn (£840m) deal will give Oryx a further 283m barrels of oil and oil equivalent, all of it outside the US, but at the cost of doubling the company's debt to about $2.4bn. The stock fell yesterday on Wall Street and Moody's, the New York-based credit agency, immediately announced that it was thinking of downgrading Oryx's debt.

But Oryx said that the opportunity of breaking out of the US and going overseas was too good to pass up. The company, which has been scouring the US to replace the 100m-odd barrels it produces each year, has been keen to move overseas ever since it became an independent company last November. "Most of the elephants are gone in the US," said Mr Tom Sullivan of Oryx.

Oryx, which had sales of $610m in the first half and operating profit of $52m, is the former exploration and production business of the Sun Company, the celebrated old Pennsylvanian oil company. Sun decided that there was no point in keeping an upstream business that could supply only a fraction of its domestic refinery needs so it spun off the company to its stockholders as Oryx.

Its main operation is the Midway-Sunset field, in California's San Joaquin Valley, and it is seeking regulatory approval to produce heavy oil from the Harvest platform in the Santa Barbara channel.

The company, under Mr Robert Hauptfuhrer, chairman, is a hyper-active wildcatter and found oil and gas in the first half of this year at a relatively low average cost of $4.66 a barrel.

From the outset, Oryx wanted overseas assets but had to sit on its hands during two big auctions of properties. Just 10 days after Oryx was formed, Tenneco announced the results of an immense $7.3bn auction of reserves and acreage. Mr Sullivan said Oryx was not ready to compete for the Texas Eastern North Sea business, which was sold for $961.3m to Enterprise Oil, British Gas and Amerada Hess earlier this year.

James Buchan

Dissident trio requisition AFI meeting

By Nikki Tait

THREE DISSIDENT shareholders at Amalgamated Financial Investments, the object of a stormy shareholder meeting last month, yesterday requisitioned another extraordinary general meeting.

At the meeting, the trio – Mr Richard Wollenberg, a former chief executive of AFI, Mr Colin Weinberg and Mr Rupert Pearce Gould – want to propose their own election to the board.

Similar resolutions were to have been voted on at the earlier meeting, on August 17. However, on the grounds that the technicalities had not been fully completed, Mr John Scholes, AFI's chairman, did not put the motions to the meeting. Lengthy and vociferous shareholder complaints ensued.

Yesterday, the dissidents said they hoped that AFI, a small investment company, would now convene the new extraordinary meeting at the earliest possible date, and added that the requisitions had been signed by shareholders speaking for more than 25 per cent of the company's votes.

Normally, a company would be required to send out notices convening the meeting within 21 days, although the actual date of the meeting could be set many months away.

In this case, however, AFI is already due to hold an annual meeting on November 20, and in the event of the extraordinary meeting date being set after this, Mr Pearce Gould said the trio intended to raise the same matters at the annual meeting.

He added that he hoped the meeting could take place during October.

Mr Scholes said only that AFI had received the requisition and would be looking at it carefully with its advisers. He refused to be drawn on when, assuming the meeting had to be held, it would take place. But he went on to claim that AFI had "not yet received a single constructive suggestion" from the trio as to how they could enhance the company's value. Any suggestions, he said, "would be gratefully received".

City Centre Rests

City Centre Restaurants, formerly Belhaven, lifted pre-tax profits from £3.38m to £4m in the six months to July 2. Turnover fell from £29.46m to £28.67m.

The interim dividend is unchanged at 0.45p and is paid on earnings per share of 1.39p (1.2p).

Correction

B Elliott

B Elliott, the engineering group, will pay the vendors of Addison Tool, the specialist equipment manufacturer and metal sawing machinery distributor, up to £2.75m in cash and issue them up to 8.25m special convertible preference shares redeemable at £1 each. The figure was incorrectly reported in yesterday's edition.

UK COMPANY NEWS

BP minerals helps RTZ to 48% rise

By Andrew Bolger

RTZ, the mining group, yesterday said its purchase in January of British Petroleum's mineral interests had helped it towards a 48 per cent increase to £294m in net profit in the first half of 1989.

Mr Derek Birkin, chief executive, said the main feature of the results was the £65m contribution to net profits from the BP assets, for which RTZ paid £2.4bn. These interests were being integrated and RTZ had already made a number of disposals of assets which did not meet its strategic aims.

Earnings per share rose 43 per cent to 33.6p and the interim dividend by 17 per cent to 5p. The earnings do not take into account 113m shares issued in July through a rights issue, which brought the number of shares in issue to 981m.

The shares closed 7p down at 566p.

RTZ also confirmed yesterday that it was not proceeding with its purchase of a 49 per cent stake in the $601m Olympic Dam copper, uranium and gold mine in South Australia, which was part of the BP Minerals portfolio.

Western Mining, the Australian company which owns the rest of the mine, went to court to block the sale, arguing that it breached its joint venture agreement with BP. Olympic Dam was not included in yesterday's results.

Mr Birkin said: "RTZ's natural resources assets reaped benefits from continued improvements in operating efficiencies combined with buoyant base metal prices and firm demand for iron ore and industrial minerals. They more than offset lower earnings from our related industrial activities which suffered from the downturn in UK and North American residential construction activity."

RTZ's natural resources business in mining (including coal and uranium) and metals and industrial minerals made at £352m a 117 per cent increase in its contribution to net attributable profits, post-tax but pre-interest. The group's related industrial businesses, comprising principally RTX Pillar and RTZ Chemicals, contributed £48m on the same basis, which is before corporate charges, a decrease of 20 per cent.

Mr Birkin said that as well as the downturn in US building activity, the weakening of the home improvement market had hit Pillar's aluminium extrusion business and there had been technical problems at its Indal glass plants.

Sir Alistair Frame, RTZ's chairman, declined to comment on reports that RTZ may be about to sell its chemicals division for £520m to Rhône Poulenc, the French nationalised chemicals and pharmaceuticals group.

On the outlook for prices, Sir Alistair said: "With limited stocks, high capacity utilisation and continuing supply disruptions, we expect prices of base metals to remain volatile in the second half of the year. Precious metal prices will continue to be held down by high interest rates, a strong dollar and buoyant stock markets, with no significant upturn in prospect."

See Lex

Tony Andrews

Sir Alistair Frame (left), and Derek Birkin: no comment on whether RTZ may be about to sell its chemicals division

Improved margins assist Wembley

By Andrew Bolger

WEMBLEY, the property and leisure group, yesterday announced pre-tax profits of £4.2m for the half year to June 30.

This compared with last year's profit of £7.5m, although this was boosted by an exceptional credit of £4.14m.

Turnover increased 44 per cent to £19.5m, while earnings per share were 3.1p, up 24 per cent from last time's 2.5p, disregarding the exceptional item.

The company said margins had improved in all areas of its activities, which include the famous football stadium and a string of greyhound tracks. This was in spite of the fact that Wembley has hosted only four big pop concerts this year, compared to 12 last year.

Mr Brian Wolfson, chairman, said the full benefits of the company's refurbishment programme would accrue in the future.

An interim dividend of 0.7p (0.5p) was declared. The shares closed up 1p at 112p.

Caparo launches £96m bid for Armstrong Equipment

By John Ridding

CAPARO Group, the private holding company headed by Mr Swraj Paul, yesterday became friend-turned-foe by launching a £95.8m offer for Armstrong Equipment, the industrial fastener and engineering company which it helped rescue from a hostile bid at the beginning of the year.

Armstrong rejected the bid as as "totally unwarranted and unwelcome".

The bid follows Caparo's failure to sell its 29.3 per cent stake in Armstrong through a tender launched last month. No offers were received at the minimum price of 185p per share, 5p higher than Caparo's offer.

At the time of the tender, Armstrong said that it would reject any approach at Caparo's asking price. Yesterday, Armstrong's shares rose 5p

But despite increasing its stake Caparo failed to gain a seat on the board and decided to try and sell out.

In explaining yesterday's move Mr Paul said; "Armstrong's board has no coherent strategy and the pedestrian performance underlying their 1988-89 results is unacceptable."

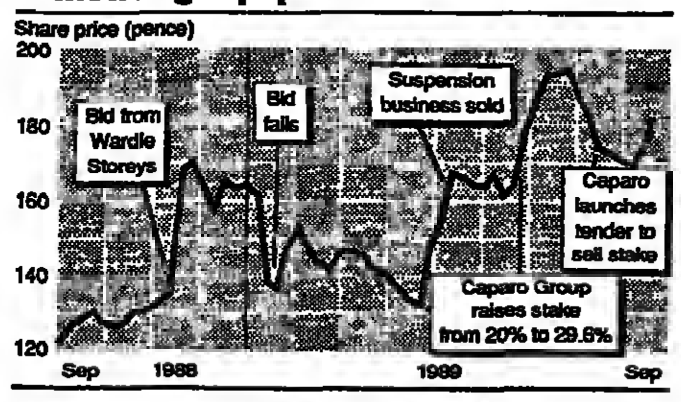
The results, which were released on Tuesday, revealed a 65 per cent increase in pre-tax profits to £9.4m for the year to July 31. But Caparo argues that profits were bolstered by the performance of the suspension division, which has now been sold and that the remaining businesses had shown "negligible growth and declining margins."

Equally important is the £45m in cash which Armstrong holds following the sale of the suspension business. Mr Paul said that Armstrong's management did not have the expertise in making major acquisitions and that the bid was "an effective mechanism of returning the cash to shareholders."

Mr Roy Watts, Armstrong's chairman, said that "we will use the cash properly to invest in areas that we know. At the moment it is earning a good rate of interest."

Armstrong's cash deposits could, ironically, play a part in Caparo's financing of the deal. Facilities have been arranged to provide between £70m and £80m of senior loans and mezzanine debt. But Armstrong's funds could be used to service debt payments.

Armstrong Equipment



Bernard Matthews slips to £3.8m

By Vanessa Houlder

BERNARD MATTHEWS, the turkey and meat products group, yesterday announced a fall in pre-tax profits from £4.57m to £3.75m for the 28 weeks to July 16.

Turnover was reduced from £67.2m to £63.43m as a result of the group ceasing to market chicken, lamb cuts and petfood.

There was also a further reduction in the sales of red meat products. Less whole turkeys were sold but at improved prices.

The adverse publicity on food quality led to a significant fall in demand for some turkey meat products.

This was offset by the introduction of new products and strong export demand, resulting in a similar level of sales of boneless turkey meat and added value turkey products to 1988.

Three new products are expected to be launched before the end of the year, following a successful launch of its turkey kiev products.

An unchanged interim dividend of 1p was declared, payable from earnings per share of 1.93p (2.35p).

● **COMMENT**

If troubles come in threes, Bernard Matthews' luck is due to turn. For three years in a row, Matthews has been hit by problems ranging from bad weather to a turkey glut and the food hygiene scare. Not surprisingly, the share price has followed suit and its sharp fall since July 1987 has eradicated most of the gains made since the early 1980s. Yesterday however the price was unchanged at 69p, reflecting results which were at the top end of the City's expectations and some evidence that 1990 should see an improvement in Matthews' fortunes. This rests on signs that feedstock prices are starting to come down and turkey prices are holding firm. That said, the company is undoubtedly right to describe its prospects as uncertain while it risks another wave of food hygiene scares. Until those fears have been overcome the shares, on a p/e of 14 assuming pre-tax profits of £9.5m this year, seem unlikely to move much ahead.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Alumasc Group ......fin	5.35	-	5	8	7.65
Aspen Comms § ......int	2.4	Oct 16	2	-	6.5
Assoc Brit Ports......int	4.5	-	3.5	-	10
Baird (William) ......int	3.25†	Jan 5	2.85	-	7.55
Bardsey ......int	0.75	Nov 7	0.25	-	0.75
Baynes (Charles) ......int	0.25†	Oct 27	nil	-	0.5
Bellwinch ......fin	2.65	-	1.65	3.75	2.75
Brake Brothers ......int	1.2	Dec 28	1	-	3.4
Burford Holds § ......int	0.3	Oct 27	0.219	-	0.5
City Centre Rest......int	0.45	Nov 3	0.45	-	1.1
Cont Microwave § ......fin	2.05	-	2.05	3.15	3.15
Haggas (John) ......fin	2	Nov 27	3	3	4
K'wort Smaller ......int	1.36	-	1.175	‡	3.675
Laing (John) ......int	3	Nov 17	3	-	12
Lancaster ......int	1.5	Nov 1	1.3	-	4
Manders (Hldgs) ......int	2†	Nov 13	1.8	-	6.35
Matthews (B) ......int	1	Oct 27	1	-	2.5
Morgan Grenfell ......int	4.25	Oct 31	3.85	-	10.85
Ratners ......int	2	Nov 9	1.65	-	5
Rolls-Royce ......int	2.8	Dec 4	2.1	-	6.3
RTZ ......int	5☆	Dec 18	4.25	-	15
Sale Tilney ......int	5†	Oct 31	4.5	-	10.5
Shell Transport ......int	7.7	-	7.17	-	17
Shires Inv ......int	3.6	-	3.35	-	15.5
Sirdar ......fin	3.5	-	3.5	5.15	5.15
Travis Perkins ......int	2.5	Oct 26	1♠	-	6‡‡
Willis Faber ......int	3.85†☆	Nov 14	3.85	-	11.46

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Carries scrip option. ‡Total of at least 4.225p forecast. ♠Special interim. ‡‡For nine months.

Darchem helps Wm Baird expand 17% to £11.8m

By Alice Rawsthorn

WILLIAM BAIRD, the Glasgow-based textile group, succeeded in increasing pre-tax profits by 17 per cent to £11.82m in the first half of 1989, in spite of difficult trading conditions in the clothing market.

Mr Donald Parr, chairman, said the market had been "extremely competitive" but a strong performance from Darchem, the industrial insulation business, had compensated for the difficulties in textiles.

Baird Textiles boosted operating profits to £8.49m (£6.74m) on turnover of £148.17m (£103.67m).

Darchem, boosted operating profits to £4.5m (£3.39m) on sales of £43.36m (£42.43m) in the first half.

Group turnover rose to £191.53m (£146.11m) and operating profits to £12.99m (£10.12m). Earnings per share worked through at 8.8p (8.6p) and an interim dividend of 3.25p (2.85p) is declared.

● **COMMENT**

The textile industry has been in the doldrums for the last year or so, but it was only in the opening months of this year that the impact of strong sterling and increased interest rates took their toll on clothing. Baird has fared well to restrict the damage to dented margins especially as Dannimac – traditionally one of its most profitable areas of activity – suffered a fall in profits. Conditions in the clothing market are now less competitive in that exchange rates, at least, are far more favourable. But it will take at least six months for the currency changes to be reflected in retail ordering. Darchem is still forging ahead and Baird should muster profits of £37m this year. But its shares are fully valued – on a prospective p/e of 9½ at 252p yesterday – until the City is convinced that the textile industry is really out of the doldrums.

R-R 60% rise outstrips forecasts

By Paul Betts, Aerospace Correspondent

ROLLS-ROYCE exceeded even the most optimistic analyst and industry anticipations yesterday when it reported a 60 per cent increase in profits in the six months to June 30.

The designer and producer of turbine aero-engines made pre-tax profits of £101m (£63m). However the current results are based on 26 weeks' trading compared to the 24 weeks of last year.

They also include seven weeks of trading from Northern Engineering Industries. Rolls-Royce acquired NEI earlier this year.

Ashley Ashwood

Sir Ralph Robins (left) and Sir Francis Tombs: reflecting the drive for improved efficiency

Turnover rose by 26 per cent from £893m to £1.124bn. It would have been higher had it not been for the continuing impact of the overtime ban at the company at the beginning of the year.

Nonetheless, the company was able to meet all its commitments and has managed to increase its production rate in a buoyant commercial aircraft market.

Operating profits rose to £168m (£148m), while research and development spending was slightly lower at £74m (£77m). But Sir Francis Tombs, chairman, said that some increase in R&D spending was planned in the second half.

He added that NEI was making a positive contribution to group performance and had boosted the group's overall order book to more than £5.5bn, including nearly £1bn from its new power engineering operations.

Following the merger with NEI, Rolls-Royce has, for the first time, split up the sales and operating profits of its activities into three core business areas. These included: aero gas turbines with operating profits of £141m (£136m) on sales of £847m (£767m); power engineering with £22m (£11m) on sales of £216m (£112m); and general engineering with £5m (£1m) on sales of £61m (£14m).

Group earnings moved ahead from 6.9p to 10.1p per share and the interim dividend is increased by 10 per cent to 2.3p.

Sir Ralph Robins, deputy chairman, said the civil aircraft engine market was buoyant and was "full of opportunities and highly competitive". Commercial engines now accounted for 60 per cent of the company's aero engine turnover compared with 40 per cent for military engines. Four years ago, military engines accounted for 60 per cent of the business. See Lex

Travis Perkins disappoints with fall to £17m

By John Ridding

TRAVIS PERKINS, the builders merchant group formed at the end of last year by the merger of Sandell Perkins and Travis & Arnold, yesterday announced a fall in combined interim profits.

Pre-tax profits for the six months to end-June fell from £18.32m to £17.03m on a merger accounted basis on constant sales of about £184m.

Mr Tony Travis, chairman, said "we are a bit disappointed" and that the decline reflected the fall in demand for building materials and timber.

Markets had been fairly strong during the first quarter but "turned nastier than we expected" since then. All of the group's product ranges and geographical areas have been affected. Mr Travis admitted that "prospects for the second half cannot be viewed with much enthusiasm".

Earnings per share fell from 11.8p to 11.4p. There is an interim dividend of 2.5p, the minimum forecast at the time of the merger.

● COMMENT

The merger accounting of the results complicates comparison. But what comes through clearly is the dire state of Travis Perkins' markets. Furthermore, while the situation may have stabilised in London the downturn in the midlands is not over yet.

Depressed demand does seem to have been partly offset by benefits of the merger. But while there has been some gain from cost cutting, the real benefits will not be felt until all of the products, particularly lighting and heating are made available across the group. At the same time, shareholders who rejected the hostile approach from Meyer may wonder whether the friendly merger will bring the necessary rigour. Margins, while good for the sector, will will probably slip below their current 8 per cent. But full-year profits, boosted by an increase in property sales in the second half should reach £35m. The prospective multiple of just over 9, is supported by Meyer's 20 per cent stake, and is unlikely to go much lower.

Alumasc falls further to £3.8m though shares rise 12p

By Richard Tomkins, Midlands Correspondent

ALUMASC, Britain's biggest beer barrel maker, has ended a second consecutive year of disappointing figures with a downturn in pre-tax profits from £3.99m to £3.8m for the period to July 2. However the shares rose 12p to 252p.

Sales of aluminium kegs recovered sharply from the previous year's hiatus, but continuing troubles with the new plant making stainless steel beer barrels produced further losses.

In addition, the group's precision components division was hit by a fall-off in demand from IBM, latterly its biggest customer, and the building products division abandoned production of the loss-making XL Rad aluminium radiator.

With the help of £5m-worth of sales from Grundy (Teddington), the barrel-maker acquired last November, group turnover rose from £27.35m to £37.17m.

Good demand for aluminium kegs and building products helped take group operating profits ahead from £3.39m to £4.01m, but the pre-tax figure was hit by interest charges of £216,000 (credit £104,000) and the absence of last year's exceptional credit of £500,000.

Earnings per share were 20.8p against last year's 24p with the exceptional item or 19.9p without it. An increased final dividend of 5.35p (5p) is recommended, making 8p (7.65p) for the year.

Merger proposed as UTC tops £3m

CITY & Westminster Group, the financial services company led by Mr Andrew Greystoke, has proposed a merger with UTC, the stockbroking and corporate finance company which yesterday announced a 22 per cent jump in pre-tax profits in the first half of 1989.

Mr Richard Owen and Mr Geoffrey Simmonds, joint managing directors of UTC, have sold a 4.59 per cent stake in the company to City and Westminster at 225p per share. City & Westminster has written to the board of UTC proposing a merger, via an all-share offer from City & Westminster.

Mr Greystoke said yesterday that a merger would be "a logical combination of skills". He hoped that Mr John Vincent, current chairman of UTC, would agree to be chairman of the enlarged group.

Mr Simmonds said "We know City & Westminster very well. Personally, we are clearly not opposed to a merger".

The board of UTC will meet today with its advisers, Henry Ansbacher, the merchant bank and Kitkat & Aitken, the broker.

City & Westminster has barely paused for breath since it reversed into A & M, a loss-making furniture hire company, in July.

It acquired a 15 per cent stake in Parrish, the private client stockbroker, in August and added a 25 per cent holding in Alpine Group, the soft drinks distributor.

Pre-tax profits of UTC rose from £2.59m to £3.18m on turnover up 29 per cent from £9.35m to £12.11m.

After tax of £1.11m (£907,000), and minorities of £3,000 (£3,000 credit), fully diluted earnings per share were 10.5p (9.8p). The interim dividend is raised to 4.5p (4p).

UTC said the profits figure included £1.57m from transactions in securities. The group owns 28m shares in Clogau Gold Mines, where dealings are currently suspended. Shares in UTC rose 15p to 200p yesterday; shares in City & Westminster were unchanged at 4½p.

Morgan Grenfell advances 50% to approach £33m

By David Barchard

MORGAN GRENFELL, the merchant banking group, yesterday reported pre-tax profits of £32.8m in the first six months of the year. Earnings per share rose from 8.56p to 13.55p.

The profits outcome showed a 50 per cent increase on the corresponding period of 1988 when the group was hit by losses on its equities trading operations which it closed in December.

The interim dividend is lifted by 10.4 per cent to 4.25p – the first dividend increase since 1986.

Though the decision to close the equities operation, which lost £5m in the first half last year, came on the eve of an upturn in the market, Mr John Craven, chief executive, said that the decision had been the correct one for the group.

The strongest contribution to profits came from corporate finance activities, followed by banking, and asset management. Overseas operations contributed 35 per cent of pre-tax profits.

Clients' funds under management are currently £16.1bn, only slightly above the level of eighteen months ago.

Mr Craven said he he was especially pleased with the growth of Morgan Grenfell's unit trust operation which has achieved a 4.5 per cent market share of net new investment since its launch 15 months ago.

However the group's banking activities grew more slowly, with Treasury operations having what Mr Craven described as a "thin time" in a market dominated by high interest rates.

Morgan Grenfell (Asia), the group's Singapore-based subsidiary, and Morgan Grenfell (CI), the Jersey-based bank, both turned in good performances.

Mr Craven said that Morgan Grenfell would continue to pay close attention to cutting overhead expanses and cutting staff numbers through natural wastage rather than redundancies.

● COMMENT

Morgan Grenfell now looks well on the way to shaking off the malaise which has afflicted it during the last few years. After bouncing back with a generally good performance in most areas in the first half of this year, pre-tax profits for the full year now look set to reach £75m compared to last year's £33.7m with good performances being turned in by its US and south east Asian operations. Though its critics may deride Morgan Grenfell's decision to shed its equity operations on the eve of a market recovery, its overall prospects are now much less volatile than those of its competitors who have stayed in equities. Conversely it stands to gain as much as they do from the continuing boom in corporate finance business. But if the quality and predictability of its earnings performance has been vastly improved compared to theirs, with a return of around 12 per cent on equity, Morgan Grenfell has not yet reached the point where it can expect great popularity with the analysts. Like some of its rivals the group still looks overcapitalised, though this will probably be less strongly the case after the establishment of Morgan Grenfell Development Capital, its venture capital arm due to be set up later this year.

Willis Faber steady at £43.5m

By Eric Short

PRE-TAX profits of £43.49m for the first six months of this year have been reported by Willis Faber, the international insurance and reinsurance broking group.

This compares with £45.16m in the same period last time. However, since last year's figure included the final receipt of £2.6m from the divested Lloyd's underwriting agencies, the underlying increase in profits was 2 per cent.

Earnings per share amounted to 11.47p, against 11.77p, and the interim dividend is maintained at 3.85p.

The mainstream brokerage and underwriting agency operations showed little change in income received – £128.39m against £128.71m. But expenses rose from £104.79m to £112.51m and despite higher net investment income, profits on this main business fell from £33.83m to £27.62m.

This was offset by a strong rise in profits from insurance companies from £2.97m to £5.1m, while the share of profits from Morgan Grenfell and other associated companies rose from £8.4m to £10.8m.

Mr Roger Elliott, chairman of Willis Faber, said the underlying brokerage growth of 3 per cent was encouraging under the trading conditions prevailing. The group's strategy of raising the proportion of business in retail activities had been rewarded by a 5 per cent increase in income from this sector.

● COMMENT

Willis Faber's interim results are slightly better than expected by the City and represent a good performance in the light of the current conditions in the insurance market world-wide where rate cutting is widespread, particularly in aviation insurance where the group is a major broker. The integration of the two groups is now complete, but it will be very difficult for basic broking profits to be maintained, let alone rise, when margins are being put under severe pressure. Future growth is likely to come primarily from the insurance companies and profits from the Morgan Grenfell holding and other associated companies. The bulk of Willis Faber's profits are earned in the first six months and the market is not expecting much change from last year in the second half, with pre-tax profits finishing at around last year's level of £55m and the dividend of 11.46p being maintained. The 3p rise in the share price to 228p reflects in part the relief of the market that perhaps the worst is over for the group.

UK COMPANY NEWS

ABP increases 16% to £24.5m

By Kevin Brown, Transport Correspondent

ASSOCIATED BRITISH Ports Holdings, the ports and property development group, yesterday announced pre-tax profits of £24.5m for the six months to June 30, against £21.2m in the comparable period of last year.

The 16 per cent increase was achieved despite a fall in turnover from £82.6m to £80.3m caused by uncertainty following the announcement of Government plans to abolish the National Dock Labour Scheme.

Sir Keith Stuart, chairman, said the abolition of the scheme on July 3 was a turning point for the industry which would lead to greatly improved efficiency.

Costs relating to the abolition are expected to amount to about £18m, mostly in redundancy payments to about 1,000 of ABP's 1,720 dockworkers. The cost will be dealt with as an extraordinary item in the full-year accounts.

Port services contributed £12.5m to interim profits, and £10.4m came from property activities. The group also received interest payments of £1.5m, compared with outgoings of £0.8m last time.

The interim dividend is lifted to 4.5p (3.5p), on earnings of 19p (16.1p).

● COMMENT

ABP's scope for blowing its own trumpet is limited by Stock Exchange rules relating to the group's agreed £27m bid for the Southampton-based Red Funnel ferry group. But Sir Keith's caution on future prospects will not take the shine off the abolition of the dock labour scheme, which should be worth up to £20m a year before tax to ABP within two or three years. The 40 per cent reduction in the number of dockers employed is only the tip of the iceberg. The real benefit will come from the use of ports for activities such as warehousing and distribution, and from handling charges for big ships which are now more likely to call in the UK rather than tranship via the Continent. With 21 ports and 25 per cent of capacity, ABP will be one of the major beneficiaries of deregulation. The group is also making rapid efforts to unlock the value of about 4,000 acres of its 10,000 acres of land which is not required for modern port activities. Major schemes are agreed or under way at Cardiff Bay, Hull, and Southampton, where the acquisition of Red Funnel will also allow redevelopment of the valuable Royal Pier site. In addition, ABP has built up a strong non-port property portfolio with a value on completion of £800m, up from £600m nine months ago. Grosvenor Square Properties, the non-port property development vehicle, has also dipped its toe in the US market with a 300,000 sq ft joint venture in New Jersey. Property profits are likely to be fairly static this year, but should start to build up from 1990 as some of the major projects are completed, coinciding nicely with the increase in earnings from port activities.

Sir Keith Stuart: end of labour scheme was a turning point

Savoy rises to £5.58m in spite of depreciation

PRE-TAX PROFITS at The Savoy Hotel improved by 17 per cent from £4.77m to £5.58m in the six months to June 30. Turnover at £40.49m was also 17 per cent higher against £34.61m last time.

The company said that the pre-tax figure was struck after a depreciation charge of £2.21m reflecting the heavy programme of capital improvements, of which £6.2m was spent during the period.

Costs of £300,000 (£480,000) were incurred in the present litigation with Trusthouse Forte and were taken within the extraordinary credit of £6.08m (£480,000 debit) which also represented a surplus on the disposal of properties.

Mr Giles Shepard, managing director, said that the centenary generated tremendous interest. He added that despite difficulties resulting from rail and other transport strikes business in July and August was encouraging and that the autumn, usually the busiest time of the year, should follow the usual pattern.

Earnings per A shares were 13p (10.7p) and per the B shares 6.5p (5.3p).

Court to consider Pavion administrator application

By Clare Pearson

THE APPLICATION by Pavion International, the beleaguered USM-quoted cosmetics manufacturer, for an administration order is expected to be considered by the court next week.

Pavion directors said on Wednesday night they had resolved an administrator should be appointed to run the company's affairs, under insolvency law procedure.

They made the move after consultations with The Law Debenture Trust Corporation, the trustee for the holders of some £7m-worth of 11 per cent convertible loan stock on which the company had said it was delaying interest payments on August 31. The grace period, during which the trustee was unable to declare an event of default, ran out on Wednesday.

Mr John Soden, one of the proposed joint administrators from accountant Price Waterhouse, said yesterday he could not say what course of action he might take were he appointed. Pavion directors were not available for comment.

Pavion said earlier it would "actively assist" an administrator in the sale of its US-based cosmetics business, a manufacturer and distributor of cheap-and-cheerful cosmetics, which constitutes the vast bulk of its business. It also has a much-smaller medium technology engineering subsidiary in the US, called Thermex-Thermatron.

Last year, the cosmetics business made operating profits of £1.9m (£3.6m) and Thermex £335,000, against a loss of £305,000 in the previous year.

A court may appoint an administrator if it feels this is likely to lead to the survival of the company, or part of its business, "a composition in satisfaction" of its debts, or a more advantageous realisation of its assets than a straight liquidation.

There are limited precedents for the relatively new administration procedure. But it is thought likely the court will support the appointment in this case.

This summer Mr Justice Harman turned down an administration order petition from Kentish Property Group, the residential property developer hit by the downturn in London's Docklands, after receivers had been appointed at some of its subsidiaries.

Recovery continues at Micro Focus

By Alan Cane

PRE-TAX PROFITS at Micro Focus, the Newbury-based software house, sharply expanded to £3.68m in the six months to July 31. Turnover rose 63 per cent to £16.3m.

Earnings per share rose from 5.4p to 18.9p and the net cash position increased from £2.2m to £7.3m.

The results appeared to confirm that the company has put its problems of the mid 1980s, when it lapsed into losses two years running, behind it.

Mr Colin West, managing director, said that in the past twelve months the company had moved decisively through the "fixed costs threshold" and that had contributed to the dramatic profits growth.

About 48 per cent of the company's business was now in the US, 32 per cent in Europe and 20 per cent in Japan.

Micro Focus builds principally software which enables other software specialists to write computer programs more efficiently. Mr West pointed out that the lion's share of first half revenue came from the company's packaged products, of which the most important was "Workbench" – software which aids the production of programs written in Cobol, the business computer language.

Mr Paul O'Grady, chairman, said the group was now organised to address the direct selling of packaged products, sales of computer languages and other specialised software to computer manufacturers and the provision of bespoke software solutions.

Kleinwort Benson buys in 160,000 of its own shares

By David Barchard

Kleinwort Benson, the City merchant banking group, yesterday disclosed that it had purchased 160,000 of its own shares on the market at 357p on Wednesday.

Kleinwort was given authority by shareholders at its last annual general meeting to purchase up to 19m of its own shares, 14.3 per cent of the issued share capital.

At the time Kleinwort said that if this were undertaken it would be with regard to the net asset value per share.

Yesterday a spokesman for Kleinwort said that the amount of buying in by the group had been very modest and reflected its slightly reduced capital requirement after its two recent disposals.

These were its Australian subsidiary, Kleinwort Benson Australia, and Kleinwort Benson Government Securities in the US.

MCC arranges $3bn medium term debt as part of refinancing

By Raymond Snoddy

MR ROBERT MAXWELL, the publisher, said yesterday he had arranged $3bn in medium term debt to refinance the borrowings taken on at the time of the purchase of MacMillan, the US publisher, and the Official Airline Guides.

Mr Maxwell told the annual meeting of Maxwell Communication Corporation that commitments for the new $3bn facility had been entered into with a number of banks.

He said the terms of the five-year loans were very fine and would have beneficial effects on income.

The lead banks, each putting up $750m, are the Swiss Bank Corporation and Credit Lyonnaise. The other banks in the deal, which Mr Maxwell described as the largest ever in the City of London apart from takeover battles, are Chase, Barclays, NatWest and Dresdner Bank.

The meeting gave Mr Maxwell the power to increase the company's borrowings from £2bn to £2.5bn.

Mr Maxwell said the $3bn facility and the new borrowing limits would allow the consolidation of revenue from OAG, bought last November from Dun & Bradstreet for $750m, six months ahead of schedule.

The company would be out of the printing business in the next few months, the shareholders were told, and the objective of becoming a pure publishing business would have been achieved.

A significant number of serious offers had been received for Maxwell Graphics, the US printing business and the sale at the hoped for price would be well before the end of the financial year in March. Mr Maxwell declined to say what the hoped for price was.

He added that he was close to completing two acquisitions in North America, a medium-sized educational publisher and a professional information services company.

MCC was also close to agreement to acquire magazine, exhibition and information services businesses from one of his other companies Pergamon AGB.

Questions from shareholders included whether he intended to publish more scientific reports on Soviet and Hungarian climatology – he did – and whether he would change the name of the company to Maxwell-Macmillan – he will not.

But one shareholder asked whether MCC, which now has 90 per cent of its assets and 80 per cent of sales and earnings in North America, was not now dependent on the value of the dollar.

"Their economy is booming, their money is strong. We have inflation and no-one knows whether we are serious about Europe and we are not in the European monetary system. We can only see the pound going down and the dollar going up," Mr Maxwell replied.

He repeated his confidence that the results in the current financial year would be satisfactory.

From 1990-91 and beyond, Mr Maxwell predicted earnings per share would rise strongly in both quality and volume.

SW Wood warns of downturn

At the annual meeting of SW Wood, the metal trading group, Mr Robin Matthews, chairman, said that the company's aluminium procurement and re-smelting activities were trading satisfactorily, with greater tonnages being processed as a result of increased capacity.

However, Braemar Trading, the group's international steel trading company, was suffering from deteriorating market conditions.

Although Braemar traded profitably in the first quarter, it was unlikely to make profits in the current financial year.

The property trading division was liquid but was unlikely to be active in the current trading climate, he said.

The shares closed 9p down at 213p.

Weak housing market hits Bellwinch

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Bellwinch, the south of England housebuilder, slumped by 54 per cent from £7.01m to £3.21m during the 12 months to the end of June.

Mr Robert King, chief executive, said the group had sold 419 homes compared with 538 in the previous 12 months.

Mr King said a drop in sales of a fifth had been due to the Chancellors policy of using high interest rates to combat inflation.

He said housing markets in southern England had been worst affected.

The final dividend was unchanged at 2.65p making 3.75p for the year, the same as last year.

Earnings per share on a fully diluted basis were more than halved from 13.7p to 6.3p.

Group turnover, however, rose from £42.44m to £45.34m.

Mr King said: "Since last Autumn the depression in the housing market has continued to increase in severity affecting prices, margins, output and consequentially profit."

Bellwinch said its exposure to residential sales in London's formers docklands, which has been among the worst hit housing markets in the country, had reduced to only 16 per cent of group sales and 11 per cent of profits.

The company had slowed its development programme and was only building to satisfy firm sales.

Borrowings at the end of June represented 28 per cent of shareholders funds only one percentage point higher than 12 months previously.

UK COMPANY NEWS

Ratners more than doubles to £14.7m

By Nikki Tait

MR GERALD RATNER, the eponymous chairman of Britain's largest jewellery group, claimed yesterday that his company could be taking 50 per cent of a £5bn jewellery market in the UK by the mid-1990s.

Setting out his stall on the group's future strategy and pointing out that the UK market has already doubled to around £2.1bn over the past five years, Mr Ratner argued that Ratners could expect to be earning a net return of around 15 per cent on that £2.5bn turnover. This, he contended, could be handled through some 1,000 outlets – in short, requiring no major addition of store space to the group.

In the more immediate future, Mr Ratner disclosed plans for a hefty £6m advertising campaign in the run-up to the coming Christmas period – almost four times Ratners' spend in the previous year. The company would also run a Christmas sale and expand its use of catalogue sales. Asked whether this marketing effort was a response to the depressed retail environment, Mr Ratner said that the group "didn't want to leave anything to chance".

The company was looking for a good Christmas and "we think we can force the issue," he commented.

News of the Christmas campaign came as Ratners unveiled that trading profits in the six months to July 29 were up from £9.88m to £15.9m, on sales of £301.7m (£198.5m). Within the profits total, the UK made £11.1m (£6.6m), while US operations contributed £4.8m (£3.3m). UK turnover amounted to £216.4m and in the States it was £85.3m.

The bulk of Ratners' profits fall in the second half. However, the UK figures were scored despite a £1.5m loss at the Salisburys chain and only break-even figures from the Zales arm. The company experienced a downward "blip" in July when the "like-for-like" sales increases at the H Samuel and Ratners chains dropped to around 9 per cent, having been 20 per cent ahead. However, Mr Ratner said since early-August, the figure had returned to the 20-25 per cent level.

Ratners says that major changes are being wrought at Salisburys, in terms of management, increased stock levels and reorganisation distribution. Mr Ratner conceded that the group had come close to selling the chain to an individual buyer backed by GE Capital, the mezzanine finance specialists, but is now committed to getting the business right.

Other income in the first half amounted to £7.35m (£1.21m) – about half coming from property profits and the rest principally from the disposal of a small stake in Gordons of the US, where Mr Ratner said the company decided against a bid because of the potential gearing involved.

Interest charges were £8.57m (£4.57m) with year-end gearing forecast at around 45 per cent, leaving pre-tax profits at £14.69m (£6.62m). After a tax charge of £5.29m (£2.51m), fully-diluted earnings per share are 44 per cent higher at 3.9p a share. The interim dividend goes up from 1.65p to 2p a share.

Below the line, there are extraordinary costs of £4.9m from terminating the Terry's business - with shops absorbed in the three main UK jewellery chains - offset by a partial accrual of a £6.2m profit on the sale of the Ernest Jones headoffice. Ratners says that the moves to new UK and US warehouse/distribution facilities have been completed, while some £3m savings should come out next year from head office costs.

See Lex

Haggas shares fall 13p after 'rotten year'

By Alice Rawsthorn

JOHN HAGGAS, the wool textile group, saw its share price drop by 13p to 93p yesterday on the announcement that its pre-tax profits had fallen from £4.1m to £1.7m in the year to June 30.

The company, which has interests in spinning and weaving as well as a chain of hand knitting shops, has suffered from the downturn in demand for wool textiles.

Mr Brian Haggas, chairman, said it had been a "rotten year".

The poor performance prompted the board to cut the final dividend to 2p (3p) making a total of 3p (4p). Earnings per share fell to 4.67p (12.48p).

The spinning division, which is the main area of activity, saw profits plummet to £2.25m (£3.61m) on sales of £28.67m (£21.38m). Haggas suffered from depressed demand for knitwear yarns and from the trend towards lighter weight apparel fabrics. Its business in furnishing fabric yarns was hit by the impact of increased interest rates.

Short-time working was introduced across the spinning division in the second half of the year. Given that the mills tend to be capital intensive this had a dramatic effect on profitability. Mr Haggas said the mills have returned to full capacity but profitability was still depressed.

The weaving division, which makes polyester cloth, mustered an increase in profits to £564,000 (£522,000) on sales of £5.94m (£5.59m).

The retail division was hit by heavier losses of £1.11m, (compared to £30,600 for seven months last year) on sales of £7.35m (£5.02m). Haggas has reduced the number of shops from 55 to 30 in the past 18 months.

Mr Haggas said the present year had "not started very well" but he would be "very disappointed" if profits fell further this year.

Sirdar rises to £7.23m in spite of difficulties in core area

By Alice Rawsthorn

IN SPITE of its difficulties in the hand knitting market, Sirdar, the textiles group, mustered a 5 per cent rise in pre-tax profits from £6.88m to £7.23m in the year to June 30.

The hand knitting market has been in the doldrums for the past three years. Sirdar, which is one of the biggest players in the UK, has maintained market share but has experienced intense pressure on profitability.

The level of demand fell further over the last 12 months because of the unusually mild winter and hot summer weather. Sirdar experienced a modest reduction in sales to £26m, but operating profits from hand knitting dropped from £3m to £2m.

Sirdar, which has reduced its handknitting workforce from 1,300 to 800 in the past three years, mainly through natural wastage, has implemented short-time working. There have also been some redundancies.

A few years ago Sirdar diversified into floorcoverings and soft furnishings by buying Burmatex and Eversure. Burmatex, which makes carpet tiles for the contract market, fared well during the year, boosting operating profits by 16 per cent to £4.7m on sales of £17m.

Eversure began the year well, but suffered in the second half as increased interest rates depressed expenditure on home products. It managed to increase profits to £900,000 – but only by cutting costs – on sales of £13m.

Group sales rose to £56.15m (£54.23m) and earnings per share increased to 8.44p (8.06p). The final and total dividends are unchanged at 3.5p and 5.15p. Sirdar's shares were stable at 100p yesterday.

Mr Gerry Lumb, managing director, said that in the current year there had been no sign of an improvement in the hand knitting market. Nevertheless he was confident that Sirdar would increase its earnings per share.

Interest rates restrict Lancaster

By John Thornhill

LANCASTER, the retail motor group, saw its pre-tax profits fall from £2.06m to £1.76m in the six months to June 30 1989.

The company attributed the decline to increasing pressure on margins as a result of high interest rates and the costs of setting up its Central Park retail car centre.

The company opened its first Central Park centre in Altrincham in May at a cost of about £400,000; its initial results were said to be in line with expectations.

Lancaster is developing these Central Park centres in association with Halfords and is planning to open another one next year.

Sales during the period increased to £91.36m (£68.75m) and the company reported that sales in the peak month of August had remained good.

But Mr Jeremy Brown, chairman, said demand for cars was likely to be restrained by the continuing high levels of interest rates.

After sales-activities, body-centres, and contact hire operations, had shown a steady increase in business and would help produce a satisfactory result for the full year, he said.

The interim dividend is lifted to 1.5p (1.3p) although earnings per share slipped to 6.6p (7.9p).

At the end of June Lancaster acquired Quadrifoglio Motors, in Southampton, which holds a BMW franchise, at a cost of £1.63m cash.

Lancaster is planning to dispose of a premises in Hertford later this year, and expects to realise a significant profit.

Manders ahead 23% to £3.34m

By Richard Tomkins, Midlands Correspondent

MANDERS (Holdings), the Wolverhampton-based inks, paints and wall-coverings group, increased pre-tax profits by 23 per cent to £3.34m (£2.71m) in the six months to end-June.

Last year's series of acquisitions contributed to the increase, but existing businesses also turned in a 13 per cent rise at the pre-tax level through a combination of increased sales and improvements in productivity.

Turnover, boosted by the acquisitions, expanded 66 per cent to £46.25m (£28.96m). Property profits, reflecting rental growth from the Mander Centre shopping complex in Wolverhampton, rose from £1.42m to £1.67m.

The interest charge, however, was also sharply up at £1.62m (£567,000) because of the rise in interest rates and the outlay on acquisitions.

Earnings per share rose 10 per cent to 6.95p (6.34p) – a slower rate than profits because of shares issued during the year.

Mr Roger Akers, chief executive, said he was cautiously optimistic about the outlook in spite of high interest rates because further benefits would arise from rising productivity.

Fletsand lifts stake in Goldberg to 2.14%

By Nikki Tait

FLETSAND Investments, the owner of Lewis's department stores, purchased a further 25,000 shares in A Goldberg, the Glasgow-based retail group which is facing a £32m bid from Blacks Leisure, on Wednesday, and a similar number of shares yesterday.

All were acquired at 167p each, and Fletsand's interest in Goldberg now stands at 2.14 per cent.

The company has made similar small share purchases every day this week, having emerged as a 1 per cent stakeholder last week.

It has made clear that it has no present intention of making a rival bid for Goldberg, but says it would reopen talks with Goldberg if the Blacks' offer lapses.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Acorn Computer, City & Commercial Investment Trust, Dinkie Heel, Dobsonline, Fisher (James), Leisure Investments, London United Investments, Memec, Thurgar Bardex.

Finals- Automagic, Platignum.

FUTURE DATES

Interims-	
Addison Consultancy	Sep. 27
BAA	Nov. 15
Bank of Wales	Sep. 22
Hornby	Sep. 20
Ibstock Johnsen	Sep. 19
London Atlantic	Oct. 12
Martin Currie Pacific	Sep. 22
Pittard Garnar	Sep. 27
Redland	Sep. 28
Tore	Sep. 26
Tyndall Holdings	Sep. 28
Whatman Reeve	Sep. 28
Wilton	Sep. 20
Finals-	
Elders	Sep. 21
Lloyd Thompson	Sep. 28
Penfolds	Sep. 26
Renishaw	Sep. 27

PUBLIC WORKS LOAN BOARD RATES

Effective September 13

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
1			12½			13¼
Over 1 up to 2	12⅜	12¼	11⅝	13⅜	13¼	12⅝
Over 2 up to 3	11⅞	11⅞	11¼	12⅞	12⅞	12¼
Over 3 up to 4	11½	11½	11	12½	12½	12
Over 4 up to 5	11¼	11¼	10⅞	12¼	12¼	11⅞
Over 5 up to 6	11⅛	11	10¾	12⅛	12	11¾
Over 6 up to 7	11	10⅞	10⅝	12	11⅞	11⅝
Over 7 up to 8	11	10¾	10½	11⅞	11¾	11½
Over 8 up to 9	10⅞	10⅝	10½	11⅞	11⅝	11½
Over 9 up to 10	10¾	10⅝	10⅜	11¾	11⅝	11⅜
Over 10 up to 15	10⅝	10⅜	10	11⅝	11⅜	11
Over 15 up to 25	10⅛	9⅞	9⅝	11⅛	10⅞	10⅝
Over 25	9¾	9⅝	9½	10¾	10⅝	10½

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ‡Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

NEWS DIGEST

Organic growth lifts Chas Baynes

By Graham Deller

STRONG ORGANIC growth throughout its range of activities helped Charles Baynes, the specialist engineering and distribution group, report sharply increased taxable profits in the first half of the year.

On turnover ahead 70 per cent to £17.55m (£10.32m), the pre-tax balance leapt from £562,000 to £1.63m. The total for the whole of 1988 was £1.68m.

The group, headed by South African entrepreneur Bruce McInnes, is resuming payment of an interim dividend at 0.25p per 10p share, on earnings of 1.41p (0.66p).

In April, Baynes purchased Harris & Edgar, a maker of stainless steel fixings for the construction indostry, from Delta, and Allda'a general packaging division. The former had a "very good first three months" according to Mr McInnes, while the latter performed to expectations. Further acquisitions were being sought, he added.

Cont'l Microwave halved at £0.6m

Although sales at Continental Microwave (Holdings) advanced from £17.17m to £19.43m, pre-tax profits tumbled from £1.51m to £602,000 in the year to June 30.

This USM-quoted holding company, with interests in the design engineering and manufacture of telecommunications, broadcast and defence electronic equipment, said that the adverse timing of defence contracts affected the results. This was in line with July's warning. Defence contracts fell to 23 per cent of sales, as against 33 per cent a year earlier.

Earnings fell to 3.3p (15.2p) per share, or 5.4p (14.6p) fully dilnted. A same-again final dividend of 2.05p is proposed for a maintained total of 3.15p.

The company has won a components contract worth up to £20m for the initial production phase of BSB's satellite reception system.

Strong overseas sales at Servomex

In its first set of results since joining the stock market in April, Servomex, a process control equipment manufacturer, reported pre-tax profits of £879,000.

The outcome for the first half of 1989, which compared with profits of £799,000 for the corresponding six months of 1988, was posted on turnover of £6.78m (£5.92m).

Mr John Burton, chairman, said overseas sales were strong with "encouraging" increases in the Asia/Pacific sector. UK sales had fallen slightly although orders were "firmly ahead" of last year.

Earnings per share worked through at 6.1p (5p).

25% advance for Brake Brothers

A 25 per cent expansion in interim pre-tax profits was yesterday reported hy Brake Brothers, the Kent-based supplier of frozen foods to the catering industry.

In the first half of 1989, profits totalled £4.82m (£3.86m), achieved on turnover ahead 13 per cent from £58.52m to £66.38m. An increased interim dividend of 1.2p (1p) is payable from earnings of 6.9p (5.5p) per 10p share.

£2m buy and 11% rise at Sale Tilney

Sale Tilney, the food, technology, insurance and financial services group, yesterday announced an 11 per cent improvement in interim pre-tax profits; the acquisition of Frankfurt-based Zeltz for DM6m (£1.96m); a vendor placing to finance the acquisition; and a placing to provide £2.15m of additional working capital.

Taxable profits increased to £2.39m (£2.16m) in the six months to May 31, while turnover leaped 54 per cent to £57.22m (£37.21m). Earnings moved slightly ahead at 6p (5.7p) and the interim dividend is raised to 5p (4.5p).

Initial consideration for Zeltz is DM5m with a further DM1m payable in 18 months' time. Additional consideration up to a maximum of DM4m may become payable in 1993 depending on profit performance. The initial payment will be funded by a vendor placing of 814,333 Sale Tilney new ordinary of 25p each at 200p per share.

The company will also place 1.21m new ordinary at the same price to meet its working capital requirements, particularly as a result of the strong organic growth in the food division.

Bardsey sees £10.8m from Rabone sale

Bardsey, the hand tool distributor, reported pre-tax profits up from £682,000 to £845,000 in the six months to the end of June. Turnover was £1.52m higher at £17.13m.

Included in the results was a full contribution from Rabone Chesterman, which was sold in July resulting in extraordinary profits for the period of £2.8m. Rabone contributed about 23 per cent of group profits.

Including the sale of Rabone's site in Sheffield, the sale should raise a total of £10.8m.

Earnings per share were 2.01p (1.97p) and the interim dividend is raised to 0.75p (0.75p).

Aspen shows little change at £2.46m

Pre-tax profits for Aspen Communications were little changed in the first half of 1989 at £2.46m, against £2.35m, despite a 46 per cent increase in turnover from £16.21m to £23.71m.

Directors of the USM-quoted company said that the period was one of exceptional investment and major change. Corporate communications suffered from relocation delays and demand for business communications was weak. Radio communications continued to advance despite product launch delays.

Earnings per share fell to 14.1p (15.3p) after minorities of £28,000 and increased dividend payments of £299,000 (£210,000). The interim dividend has been increased to 2.4p (2p).

COMPANY NEWS IN BRIEF

AIRTOURS has acquired Heart of England Cottages which operates as a specialist letting agency for prestige holiday properties in the UK. Total consideration is dependent upon the number of properties under management, but is unlikely to exceed £80,000, payable in cash.

AT TRUST has sold Cressall Heavy Resistors to Halma for £348,000 cash.

CAPITAL and COUNTIES is placing a further issue of £50m 9¾ first mortgage debenture stock 2027. Gross redemption yield will be set at 1.60 per cent above the gross redemption yield on 9 per cent Treasury loan 2008.

CONSOLIDATED GOLD FIELDS: Hanson now controls over 95 per cent of the ordinary share capital of Consolidated Gold Fields and will shortly be taking steps to commence the compulsory acquisition procedure in order to obtain the outstanding shares.

COOK (WILLIAM) has acquired Blackett Hutton for £102,984 cash and has agreed to repay a further £1.55m in respect of which £728,220 has been paid in cash. Blackett makes steel castings.

DUKEMINSTER :The boards of Dukeminster and Waterglada announced that they had entered into an agreement together with the Pension Fund of the employees of the Bank of Spain, La Mutualidad dew Empledos del Banco de Espana, Entidad de Prevision Social("Mutualidad") for the establishment of a joint venture company to acquire development and investment properties in Spain. The joint venture company will be owned as to 30 per cent each by Dukeminster, Mutualidad and Waterglade. The remaining 10 per cent will be owned by International Real Estate, a company controlled by Shohet family interests.

HI-TEC SPORTS is to acquire a further 10 per cent of Hi-Tec (Canada). it's 80 per cent owned subsidiary. This is being acquired from Ronald Rink, the managing director of Hi-Tec (Canada) who currently owns the other 20 per cent of that company. The consideration is not significant in relation to the assets of the group.

HIBERNIAN GROUP (insurance underwriting): Pre-tax profit I£4.65m (I£4.04m) for six months to June 30, against I£4.15m last time. Premium income totalled I£61.28m (I£57.57m). Interim dividend of 1.6p (1.4p) payable from earnings per share of 5.2p (4.3p).

KERRY GROUP: Pre-tax profit I£5.96m (I£4.41m) on turnover of I£247m (I£168m) for half year to June 30. Tax took I£156,000 (I£87,000) and minoritiea I£245,000 (I£177,000) leaving earnings per share of 4.05p (3.6p). The interim dividend goes up from 0.61p to 0.67p on the A ordinary shares, a USM quote.

KINTA KELLAS Investments: Net tangible assets per stock unit was 7.2p at March 31 1989, up from 6.16p a year earlier. Company incurred pre-tax deficit of £67,000 in 12 months to eod-March (profits of £12,000) resulting in loss of 1.46p per stock unit (earnings of 0.05p).

LESLIE WISE GROUP has acquired Bealhurst for a maximum £4.65m. Bealhurst, which trades as Verna Spence, is a designer and supplier of ladies wear. Consideration is an initial £2.17m payable as to £1.22m cash and the issue of 1.4m ordinary shares. Deferred consideration is payable up to £2.48m, of which £1.63m is in cash.

MERGER CLEARANCE: The Secretary of State for Trade and Industry has cleared the proposed acquisition by Kunick of Bell-Fruit Leisure Group.

MOWAT GROUP: A new joint venture company has been formed by Mowat Group, a subsidiary of Banque Indosuez and Bank of Yokohama to undertake major commercial property developments in the UK. Peerglow joint ventures is owned 50 per cent by Mowat and 25 per cent each by Indosuez and Yokohama.

MUSTERLIN GROUP has acquired South Park Press of New York, US for $1m.

OSSORY ESTATES announced that it has arranged a £50m Sterling Commercial Programme. The issue has been arranged by Lloyds Bank Capital Markats Group and the dealer will be Lloyds Bank.

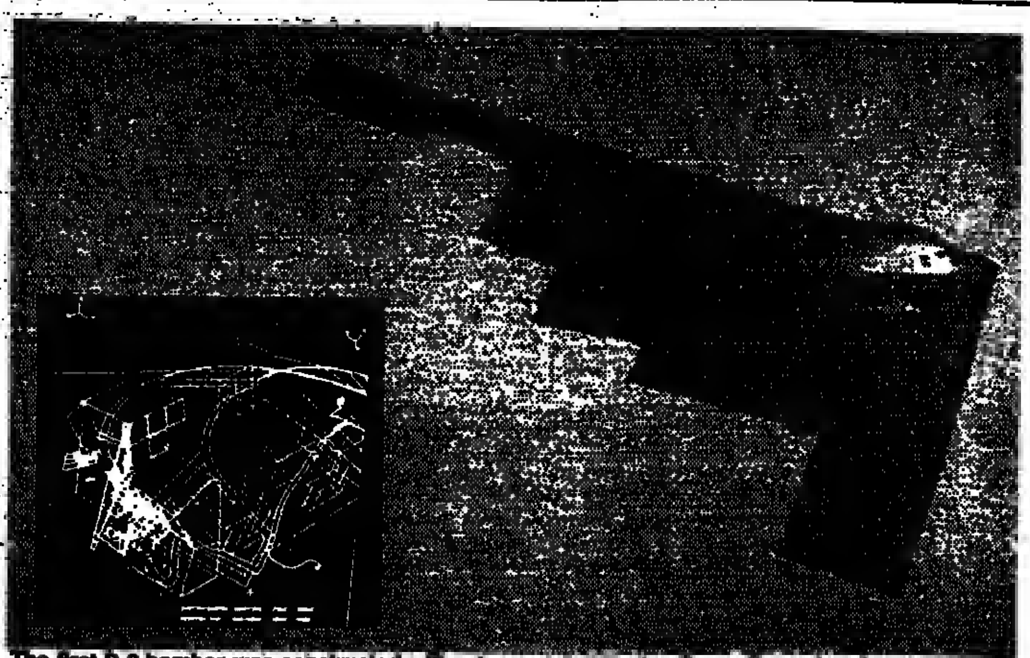
RACAL-CHUBB has further strengthened its European security business with the purchase of President SRL in Italy for £1.5m cash.

UNITED PLANTATIONS Africa (citrus farming): Turnover R6.93m (£1.59m) and revenue expenditure R10.81m for six months to June 30, against respective figures of R6.06m and R9.22m for corresponding figures in 1988. Disclosure of profit and earnings deemed inappropriate by the board due to seasonal nature of group's main activity. Hail damage on all three estates indicates that current year prodnction will show a 40 per cent shortfall on the previous year.

W B INDUSTRIES is to subscribe £75,000 for 75 per cent of the ordinary shares of a new company, Infostock. The remaining 25 per cent will be subscribed for in cash by two individuals who will manage Infostock, which is to acquire a specialist gearbox business and certain assets from Bus Engineering Group for £300,000.

WEST INDUSTRIES is to purchase Mand Testing Machines for £500,000 comprising £422,500 cash and the balance by the issue of 221,429 West shares at 35p apiece. Mand is expert in fatigue testing.

TECHNOLOGY



The first B-2 bomber was constructed without a prototype using three-dimensional computer graphics, such as the one above for the cockpit

How the B-2 flew past the prototype

Lynton McLain explains why Northrop left behind the traditional stages of aircraft design

The industrial world is littered with prototypes — one-off models that often bear little relation to what will emerge from the production line.

Prototypes are expensive, time consuming and wasteful, but many industries believe them to be unavoidable. Cars and aircraft, for example, still inhabit a world of costly mock-ups, where changes are made before the final design is settled on.

But work at factories in the California desert may mark the beginning of the end of the prototype — and indeed of the traditional separation between design and manufacture.

At US Air Force Plant 42 in Palmdale and at the aerospace company Northrop's factory at Pico Rivera, the world's most expensiva aircraft, the B-2 stealth bomber, has been designed not on drawing boards but on computers operating in three dimensions. And the first B-2 to fly is not a prototype, but the first production model, built by transferring the computerised design directly to the production line.

This integration of design and manufacture extends to the main sub-contractors, Boeing in Seattle and the LTV Aircraft Products group in Dallas. They are linked to the 3-D database that holds all information on the B-2, including the shape and location of every component. Northrop, the prime contractor, has 400 workstations linked to the database.

The B-2 is the first aircraft of a new type to be built to meet operational requirements straight away. Jeff Mirich, manager of computer-aided design and manufacture at Northrop's B-2 division, says: "We were driven to find a new way because of the shape and complexity of the B-2."

He explains that to have built a prototype would have jaopardised tha $70bn programme. This paradox arises from the unique specification of the B-2 which, unlike any other bomber, is almost undetectable by enemy radar.

The radar signature is rednced by composites that absorb radar energy and by the bat-like shape of the B-2. The computer-generated curves are precisely calculated to scatter radar beams. If they are not reproduced with absolute fidelity, this scattering will not take place — which is why conventional development, involving mock-nps and other approximations, would not do.

The search for ways of building a new aircraft without a prototype started 10 years ago at Northrop. The result — after a $1bn investment — is NCAD, Northrop Compnter-Aided Design, and NCAL, Northrop Computer-Aided Lofting, two software programs developed by the company.

"Lofting" refers to a technique originally used to define the shape of ship hulls. The lofting software is used to put the surface shape on the 3-D outline of the stealth bomber in the computer, like putting skin on a skeleton.

The company claims this is the world's first 3-D computer system to combine computer-aided design and manufacturing (Cad/Cam). Northrop started with an IBM 4341 computer for the database, but increased the speed of the system by incorporating IBM 3090, 3083 and 3084 systems.

The 3-D integrated database has been used throughout the B-2 programme, from the original design of the aircraft and its systems to its manufacture, the monitoring of the machine tools as parts are made and the technical manuals.

The manufacturing tolerances are the tightest to be achiaved on any aircraft, according to Northrop. A control surface 20 ft in length, for example, is made to within plus or minus five one thousandths of an inch; and the 172 ft wingspan of the bomber is accurate to within a quarter of an inch.

Traditionally, the shape of an aircraft has been defined by a series of two-dimensional drawings, in slices through the aircraft. The B-2 has an irregular shape and all its surfaces are defined in three dimensions on the computer screen. The 3-D shapes are produced by the computer in tabulated form, with XYZ co-ordinates.

People at a certain level of seniority at the USAF, Northrop (the B-2 division has 14,000 employees) and at the sub-contractors linked to the database are able to alter the design. For example, the logistics support department can make changes to reflect the needs of maintenance engineers.

The changes can be made directly and are immediately apparent to all the departments. Previonsly, revised drawings could take days or weeks to pass down the line. And when it came to the prototype stage, this meant that the mock-up was rarely up to date with design changes.

Now, says Mirich, "with the 3-D approach, you are really dealing with tha actnal design." The system allows Northrop to verify the design in the computer, with the designers and engineers rotating parts around three axes to check the spatial relationships before any hardware is made. They maka alterations on screen using light pens.

Under the traditional system, changes to the prototype had a knock-on effect on production tools. For this reason it was built on "soft" jigs, which were moveable to allow for design changes. The B-2 was built from the outset on "hard" jigs, already fixed for subsequent production.

This has been achieved because precise data can be transmitted to, say, numerically controlled (NC) equipment for bending tubes for the hydraulics and fuel networks on the aircraft. Up to 97 per cent of the hydraulic tubing for the B-2 was produced precisely to the computer design at the first attempt. On previous aircraft, only half the tubing fitted precisely first time.

By going directly from the electronic database to the manufacture of production tooling, Northrop avoided the expense of building master models and tools for prototype proofing.

Even the quality inspectors have been able to throw away their micrometer measuring gauges. Instead, they log on to the computer and probe the engineering data on a machine tool as it cuts a part.

The computer software that controls the NC machine tools is inspected on the computer antomatically. Under traditional manufacturing methods, the NC programs would have had to he tested on tba machine tool itself, wasting production time.

The system optimises the strength and durability of the parts by making use of the database's bank of knowledge about the materials involved. And although it has not done away with the physical testing of parts, it does deliver the precise data needed for testing.

The 3-D approach has led to cultural changes in the company. Because manufacturing engineers and design engineers are working on the same computer system, each has to consider the practicality of a proposal from the other's point of view.

Michael Watts, the technical manager for 3-D computing at Northrop's aircraft division, says: "Eventually, we won't have angineering design and manufacturing design departments. We'll just have a design department."

Productivity in the manufacture of the B-2 is higher than on previous aerospace projects. For example, the antomated composite lamination process is 60 times faster than conventional methods. The time taken to program numerically controlled machine tools has been cut from weeks to days by the direct link between design and production.

All this suggest that industries with high value added products with complex shapes, snch as cars, could benefit from using a 3-D database to integrate design and manufacture. But the high capital cost is likely to limit its exploitation.

Next week, Della Bradshaw looks at developments in computer-based design for the smaller company

Warning about foreign funding of UK R&D

science ± √89

By Clive Cookson

Overseas funding of industrial research and development is mnch greater in the UK than in other comparable economies and is increasing more quickly, the British Association for the Advancement of Science's annual meeting in Sheffield heard yesterday.

Paul Stoneman, reader in economics at Warwick University, gave the results of a new analysis of UK Government and Organisation for Economic Co-operation and Development (OECD) statistics on R&D. The proportion of all UK industrial R&D funded from overseas has risen from 4 per cent in 1968 to 12 per cent today, mostly carried out by multinational companies.

Figures from West Germany, France, Japan, Sweden and Italy all show much lower levels of funding from abroad. Indeed the UK receives more R&D funds from overseas than the other five put together.

The UK level is almost twice as high as France, the next highest country. Bottom of the league is Japan, where the level of overseas R&D funding is still minimal (abont 0.1 per cent of the total).

Breaking down the statistics between indnstrial sectors, Stoneman found that overseas funding was most apparent in chemicals, electronic equipment and components, and office machinery and computers, with a significant presence in aerospace too.

He put forward four reasons for the UK being an attractive place for overseas companies, particularly US-based multinationals, to set np international R&D facilities: a snpply of highly skillad manpower; lowar pay for scientists and engineers than in comparahle countries; a strong university system; the English language.

If an overseas company employed researchers in the UK but took the results of the work abroad, the ontcome was like the brain drain, Stoneman said. The overseas corporation "can employ staff at the lower local pay rates and will not have to overcome problems of culture shock, or the family problems that might come from transferring labour."

It was impossible to say whether overseas funding of industrial R&D brought a net benefit to the UK. "The prime question is whether overseas financed research is really just exploiting underpriced technological resources in the UK with little spin off to generate compensating benefits, or whether it will underlay and provide much greater technological activity, resources and production in the UK."

He added that however the balance worked ont in practice, "at least one can draw attention to the dangers."

A computer is playing our song

Fans outside Capital Radio's Euston headquarters in London and tbe growing audience of the "golden oldies" station, Capital Gold, are probably hlissfully unaware that a computer does some of the work of their favourite disc jockeys.

A tailor-made software package for Capital's FM and Gold stations makes sure that the DJs are giving the listeners what they want to hear, says Richard Park, Capital's programme director.

The software, called Selecter, was invented by Andrew Economos, former head of computing at NBC, tha US broadcasting company. He leases the software (for use on any PC) to 43 radio stations in the UK. Park has adapted the package for Capital.

Economos's system was developed to track what songs were played so that royalty payments could be made. As a programming tool, Selecter cuts the time spent deciding what records to play, when and how often.

A station's record library is "activated" with classifications (title, artist, date etc), a description of the song (pop, groove, soul etc) and valnes (key, tempo, texture). The computer is programmed to use these details in meeting the station's requirements.

With Capital FM, Selecter plays hits at regular intervals and several "recurrents" (the fortnight's hits) an hour. Every week, the list of hit singles, recurrents and hits of the 1980s is edited and updated.

Wbat is more, Selecter makes sure that the musical sequence is a happy one. On Gold, Selecter rotates through its library to play as wide a range of oldies as possible. It also arranges sequences and blends songs. "Kenny Rogers with full orcbestration could not be followed by Willie Nelson and his one guitar," Economos explains. "The computer makes sure the audience listens without fatigue."

A word-searcb facility enables further sequencing. If a newsbreak finisbes with an item about taxes, the programmer can follow it with a song like I'm the Taxman. Soon a "rewrite" of the software will enabla a master-control program to select songs to blend in with jingles.

Minimum separation periods between plays can make sure that a DJ on FM is not playing Abba's Fernando at the same time as his colleague on Gold.

Selecter is also a way of curbing a DJ's natural exuberance or inclination to play a Thrash Metal single in a station's Ballads Hour. His scope is restricted to what the programmer bas decided he should play, with only a few "open free slots."

All the records on a 60-minute show are decided in advance. The director cbooses each single on FM, while on Gold, the computer constantly rotates through its library to come up with a fresh list.

Above all, Selecter saves time. Capital is on the air 24 hours a day, seven days a week, and Selecter can notch up 168 hours of programming in an hour.

Rachel Johnson

Maturity slows down the industry

By Paul Cheeseright

Charles Sanderson sent tremors through the property share market this week and upset some City of London property owners in the process. It was a sign of the touchiness and creeping anxiety about City property prospects that he did.

Mr Sanderson, chief of the City department at Savills, chartered surveyors, attracted this attention with an analysis of supply and demand that, in terms of numbers, was broadly consistent with work which has been done by Savills's competitors. So nothing new there. The twist was the conclusion that there is likely to be an over-supply, not of new buildings but of existing space. This could lead to a drop in rents for existing buildings of between 20 and 30 per cent.

It is true that the price falls on the stock market of some large property companies with big City holdings did not take place in heavy trading. But the falls nevertheless reflected the feeling that not all is well in the property sector.

The notion of malaise has two roots. The first is the space question. The second is money.

The space question is broadly confined to concern about the City and London Docklands. It is clear, first, that there is solid tenant demand still in the market. Second, the market is easier. Tenants are prepared to wait to get what they want. They are not snapping everything up as they were in, say, 1987.

Rents appear to have topped out. Landlords, knowing that more space is becoming available, are offering concessions to prospective tenants. They are more generous in the financial terms for fitting out; rent-free holidays are available.

These are the characteristics of a maturing market. And it is not very surprising. The surge in property values which started in 1986 sprang out of the City of London and spread. Not unnaturally, the City is the first to slow down.

The second root of malaise, the question of money, has wider implications than the shifts of the City rental market. Property bank borrowing has never been so high but the rate of growth could now perceptibly slow.

In a study* published this week, Debenham Tewson & Chinnocks noted that the relative importance of property debt in bank loan portfolios had increased: 10.2 per cent of total commercial debt last May compared with 8 per cent the year before and between 4.0 and 4.5 per cent in the mid-1980s. Lending to property companies totals nearly £27bn.

The charts show the importance of bank financing in the property industry, an importance which has overshadowed the traditional role of the institutions. "At current levels of annual net institutional investment, the present debt burden represents around 15 years of investment. This contrasts to a ratio of just one to two years at the start of this decade," said Debenham Tewson.

The banks, in their enthusiasm to lend, have tended to ignore who will buy the products to which their funding is attached. The problem will no doubt be addressed more urgently as their enthusiasm to lend diminishes. The two are linked together.

Hitherto there has not been a problem. There have been enough buyers in the market for the whole range of properties – from owner-occupiers to Japanese life funds. And many of the loans have some years to run anyway. Because there has been such strong demand in the economy and because property values have jumped, rolling over loans has seemed a secure and profitable exercise.

But it is not clear how long this will continue. There have been enough reports about diminishing order-books throughout Britain to suggest that the economy is sagging. The higher interest rates have started to cut into development margins. The slower the growth in the economy, the smaller the number of property buyers there are likely to be.

So the banks have been getting tougher. One property company chief, with a £500m development programme securely financed, noted that eight out of 10 sites which were offered to him came from smaller companies which were drawing in their horns.

Smaller companies, especially those relatively late to enter the property market and saddled with sites at inflated prices, are no longer prepared to combat the twin threats of higher financing charges and the prospect that demand might diminish.

Development companies have been finding that the banks remain ready to finance conservatively costed projects where rent estimates are rooted in the ground and not conjured out of the air. But "it is a sign of a tighter market with banks placing a greater emphasis on the ability of property companies to prove the potential income flow from a development," says Savills.

The practical manifestation of the banks' greater caution has been a demand for higher margins, the extraction of higher fees and the application of strict repayment terms. The change in the atmosphere, more evident since the beginning of the year, has found its response from the property companies in moves to spread risk, through joint ventures and so on, and to limit exposure by trying to arrange limited recourse financing.

So the banks and property companies have been getting worried about each other. But the logic of the larger position the banks have taken in the property industry and the lack of liquidity which comes from having a relatively small number of ultimate buyers mean that the banks and property companies need each other more rather than less.

"The critical issue facing the property industry is the extent to which debt financed instruments can be replaced by equity investors. The improved liquidity that banks and overseas sources have brought to the sector is at the expense of increased volatility. The commercial property sector is increasingly dominated by short-term expectations and this could potentially undermine the relative security the sector has enjoyed over 15 years," argued Debenham Tewson.

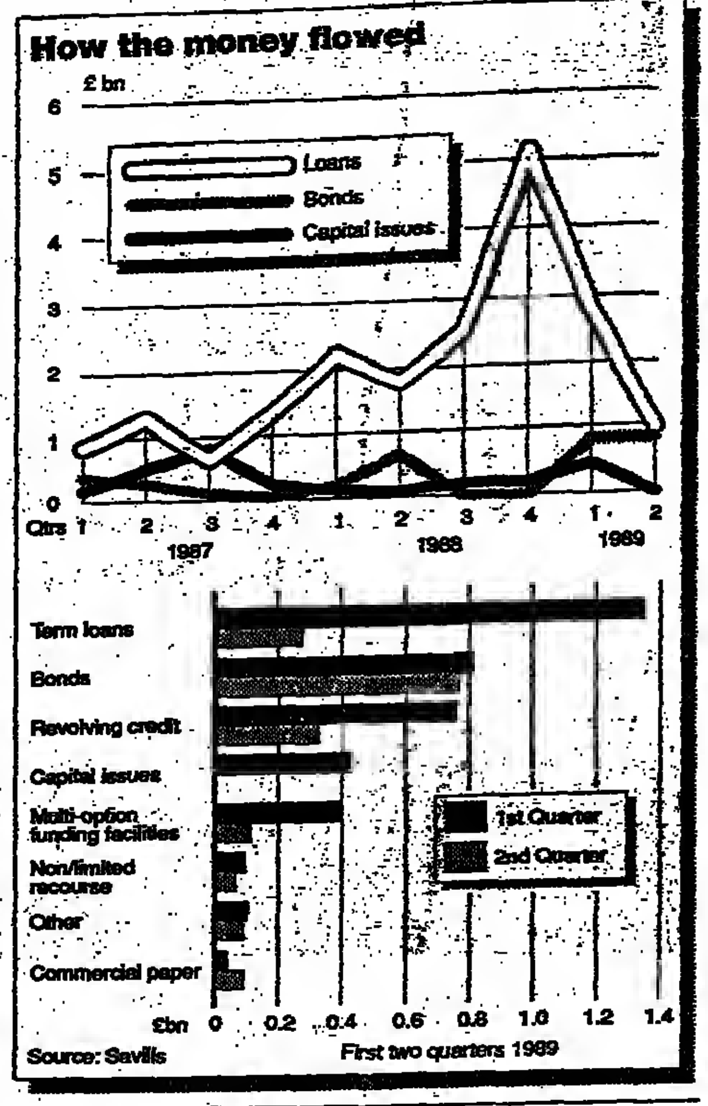
None of this suggests that there is going to be a crash. Total returns will probably turn out to be a healthy 20 per cent by the end of the year. But it does suggest that the industry's good times have brought problems of their own. Nor does this explain why the property investment companies trade at such considerable discount to net asset values. There is cause for the stock market to brood.

Money into Property; Debenham Tewson & Chinnocks, 44 Brook Street, London W1

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Property
Year to July 1989	15.9	21.5	28.9	19.9
Quarter to July 1989	3.5	5.4	6.8	4.8
Month of July 1989	0.8	1.7	3.6	1.6

Source: Investment Property Databank



Source: Savills

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London, 15th September 1989

LEGAL NOTICES

GALATIME LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986 that a meeting of the unsecured creditors of the above named Company will be held at:

Shelley House, 3 Noble Street, London, EC2V 7DQ

on Friday, 29 September 1989 at 11.00 a.m. for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on 28 September 1989, written details of the debt they claim to be due to them from the company, and the claim has been duly admitted under the provision of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated: 4 September 1989

R.M. Addy
C.J. Hughes
Joint Administrative Receivers.

NEWGATEWAY HOLDINGS LIMITED
Company No. 2329701

Pursuant to Part V Chapter VII of the Companies Act 1985 ("the Act") Notice is hereby given:-

(a) that the Company has approved a payment out of capital for the purpose of acquiring its own shares by redemption;
(b) that the permissible capital payment of the shares in question is £270,997,511 as authorised by a Special Resolution of the Company passed on 12th September, 1989 pursuant to Section 173 of the Act;
(c) that the Statutory Declaration of the Directors and the Auditors' Report required by that Section are available for inspection at the Company's Registered Office at Broadgate House, 7 Eldon Street, London EC2M 7HD; and
(d) that any creditor of the Company may at any time within the period of five weeks immediately following the date of the Resolution for payment out of capital (namely 12th September, 1989) apply to the Court under Section 176 of the Act for an order prohibiting the payment.

Ashurst Morris Crisp
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12th September 1989

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The Ghana Armed Forces is not bound to accept the highest or any tender.

LEGAL NOTICES

No.004691 of 1989

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF HARE INDUSTRIES LIMITED
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 9th day of August 1989 presented to Her Majesty's High Court of Justice for the confirmation of (a) the cancellation of the Share Premium Account of the above-named Company and (b) the reduction of the Capital of the above-named Company from £540,049 to £230,947.40

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable M. Justice Harman at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 9th day of October 1989.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account and reduction of Capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on the Payment of the registered charge for the same. Dated this 12th day of September 1989.

Messrs. Sebastian Coleman & Co.,
of St. Bartholomew House,
92 Fleet Street, London, EC4Y 1DH
Agents for Messrs. Wragge & Co.
Bank House, 8 Cherry Street,
Birmingham, B2 5JY.

Solicitors for the said Company.

(Ref. 6712/2/JQP/GDH/PKS

NEWGATEWAY LIMITED
Company No. 2342145

Pursuant to Part V Chapter VII of the Companies Act 1985 ("the Act") Notice is hereby given:-

(a) that the Company has approved a payment out of capital for the purpose of acquiring its own shares by redemption;
(b) that the permissible capital payment for the shares in question is £474,229,615 as authorised by a Special Resolution of the Company passed on 12th September, 1989 pursuant to Section 173 of the Act;
(c) that the Statutory Declaration of the Directors and the Auditors' Report required by that Section are available for inspection at the Company's Registered Office at Broadgate House, 7 Eldon Street, London EC2M 7HD; and
(d) that any creditor of the Company may at any time within the period of five weeks immediately following the date of the Resolution for payment out of capital (namely 12th September, 1989) apply to the Court under Section 176 of the Act for an order prohibiting the payment.

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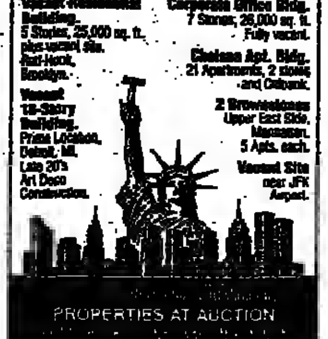

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COMMODITIES AND AGRICULTURE

Yeutter applauds EC's caution on dairy hormone

By Nancy Dunne in Washington

MR CLAYTON Yeutter, the US Agriculture Secretary, yesterday unexpectedly praised the European Commission's proposal to delay by 15 months a decision on whether or not to approve for the use of milk-boosting hormone bovine somatotropin (BST).

Mr Yeutter interpreted the proposal as an effort to ensure that all scientific studies of BST were completed before it came into use. Mrs Kelly Shipp, Mr Yeutter's spokesman, said the US Food and Drug Administration hads yet to give its own approval for commercial use of the hormone, although it is expected to do so within the year.

In the past Mr Yeutter had lobbied against a proposed ban on BST and warned that it could become "an addendum" to the earlier ban which the EC imposed on growth-promoting beef hormones. The Agriculture Secretary has long complained that the hormone ban was made on other than scientific grounds and was therefore a trade barrier.

In a letter sent to Mr Ray MacSharry, the EC's Agriculture Commissioner, in July he warned against even a temporary ban saying: "To the best of my knowledge there is no scientific evidence to suggest that BST poses any kind of health threat."

Since then, however, BST has become increasingly controversial in the US, where farmers worry that it will lead to new surpluses and put small dairy farmers out of business. The National Grange, one of the oldest US farmers' organisation is opposing the hormone on both health and economic grounds.

In Vermont, farmers are worried about a forecast 10 to 25 per cent increase in production and have mobilised politically. The State legislature has passed a resolution calling for a moratorium on the use of BST until its effect on dairy farming and milk consumption can be studied by Congress.

Senator Patrick Leahy, chairman of the Senate Agriculture Committee, has requested studies from the Agriculture Department and the Office of Technology Assessment.

In Wisconsin a Bill has been introduced in the legislature to prohibit the use of BST in the state. Preliminary testing of hormone on six herds of dairy cattle raised an uproar when word leaked that milk from BST-treated cows had been sold through "normal commercial channels."

A leader in a Madison, Wisconsin newspaper, complained that the "secret" testing by the University of Wisconsin-Madison could pose serious problems to the state's dairy industry because consumers would become suspicious about the "purity" of their milk.

The FDA has concluded that milk produced with the hormone is safe for human consumption. This has been challenged, however, by independent doctors and professors.

Cocoa delegates strive for reconciliation

By David Blackwell

DELEGATES FROM cocoa producing and consuming countries will meet this morning for a final attempt to make progress on the future of their international agreement.

A full International Cocoa Organisation (ICCO) Council meeting scheduled for yesterday afternoon was postponed as both sides remained locked in separate discussions. Earlier a small negotiating group comprising three producer and three consumer delegates met in yet another an attempt to bridge the gap between the two sides.

During this week's talks consumers have continued to insist on three main points before progress can be made on the agreemeot, which has been frozen since February last year.

They want producers to clear some of their outstanding debts to the ICCO – at the end of July the total owed was $115m, with $69m of that attributable to the Ivory Coast, the world's biggest producer.

They are also seeking a reduction in the range of prices that the agreement should try to defend – at the moment the floor price remains at 1,485 SDRs (Special Drawing Rights) while the ICCO average indicator yesterday stood at 935.17 SDRs. And they want the levy paid on cocoa imports and exports to be reduced from $30 to zero.

Producers on Wednesday indicated that they were willing to pay $30m of their arrears, but would not say when. This money would be used to fund a withholding scheme designed to take 120,000 tonnes of cocoa off the oversupplied world market. The ICCO buffer stock already holds 250,000 tonnes, its maximum under the terms of the agreement.

The producers also said they were prepared to accept an unspecified cut in the levy – but not a reduction to zero. They proposed a price range to be defended of between 1,312 and 1,932.5 SDRs.

Mr Peter Baron, the consumer spokesman, said yesterday he was still optimistic that an agreement could be reached. But be warned that a decision would have to be made before noon today.

The current agreement runs oot at the end of September next year. If it is not extended or renegotiated the buffer stock will be sold off over a period of 4½ years.

In the absence of concrete news from the talks the London cocoa futures market remained "jittery", one trader reported. And he said this was the cause of a late rise which left the December position £12 up on the day at £828 a tonne.

As dealers watch for positive developments from the ICCO the market has remained locked in a range between £800 and £840 a tonne, with upward moves quickly running into chart-related resistance.

Strike ends at Chilean copper mine

By Barbara Durr in Santiago

A 13-DAY strike has ended in Chile's El Salvador copper mine, owned by Codelco, the state holding company. The company has estimated that its total production loss in the stoppage was approximately 4,000 tonnes.

The El Salvador division of Codelco, which includes Potrerillos, Barquito, Copiapo and El Salvador, usually produces about 330 tonnes of copper a day.

The gross income loss was calculated at approximately $1m a day, but net daily losses were thought to be only a quarter of that, company officials said.

Nearly 3,500 miners went on strike after the company announced that it would more than double the number of workers in its around the clock schedule.

The company believed the step was necessary to compensate for lower ore grades and gradual exhaustion of the mine.

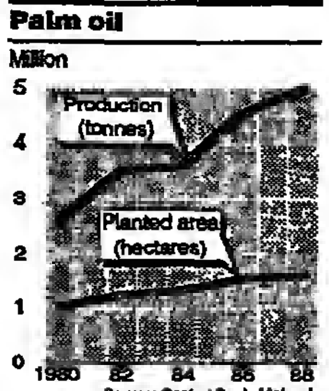
The resolution of the conflict came late on Wednesday night with a vote to accept the company's offer of higher pay and bonuses.

Codelco's copper production overall this year is expected to be near 1.25m tonnes, 14.6 per cent higher than in 1988. With the price of copper continuing high, profits after tax are projected et between $500m and $600m.

Malaysian palm oil faces fresh challenges

Lim Siong Hoon on the continuing struggles of the world's biggest producer

MALAYSIA'S PALM oil industry is having to face up to a growing list of enemies. For some years it has been the target of a no-holds-barred campaign by American soyabean oil producers alleging health problems. Now it is struggling also to fight off fierce competition from neighbouring countries and the unwelcome attentions of "fanatical crusading environmentalists" who want forest clearance to stop.



The biggest challenge to Malaysia's dominance of the world palm oil market is coming from neighbouring Indonesia, to which Malaysia has been losing large Indian contracts at an alarming rate.

This is particularly worrying because India has steadily grown to become Malaysia's biggest customer.

At the peak in 1987, India bought 1m tonnes, almost a quarter of Malaysian production. The following year, there was a 25 per cent fall in Indian purchases and from January to June this year India bought just 115,000 tonnes, a further 65 per cent drop compared to the corresponding 1988 period.

India's State Trading Corporation has given no commitment to buy from Malaysia the 200,000 tonnes its wants over the next few months, said Mr Lim Keng Yaik, Malaysia's Primary Industries Minister, earlier this month. Only by selling more for less, and by courting new buyers in China, Pakistan, and the Middle-east, has Malaysia been able to export its ever-increasing production.

The crude palm oil price at the Kuala Lumpur market has fallen to a two-year low of about 700 ringgit ($261) a tonne, compared with R773 in 1987.

Exports from January to the end of April totalled 1.8m tonnes, valued at R1.9bn ringgit, compared with 1.5m tonnes, worth 1.8bn, during the earlier period.

Despite the relatively lower prices, palm oil remains a profitable crop: Malaysia's Central Bank calculated that, thanks to a 31 per cent improvement in fresh fruit yields and a quicker system of collecting fruits, estate production costs last year fell by 5 per cent to 520 ringgit a tonne. Meanwhile the area devoted to oil palms had been growing at an annual rate of 6 per cent rate for the past three years, as growers were encouraged by the good profit margin.

Higher yields and expended cultivation contributed to a doubling of output in the past decade to 5m tonnes last year, 60 per cent of the world total. This year's production could reach a new record of 5.4m tonnes, harvested from 1.8m hectares. About 60,000 hectares of new plantings could be introduced this year alone.

Environmentalists, both at home and abroad, are outraged at this destruction of tropical jungle to make way for crops, not just oil palm but also cocoa and pepper.

Resistance of this sort, coming from the Malaysian-based World Rainforest Movement, is particularly worrying to the Government now that the campaign has been taken up with the UN Food and Agriculture Organisation. It could mean an international censure on Malaysian commodities; a withdrawal of the generalised system of preferences (GSP) on timber is already contemplated.

The Malaysian Government, at almost every level from the Prime Minister, Mr Mahathir Mohamad, down, seems to have taken this possibility so seriously that it has started to fight back.

At the Non-Aligned Movement conference in Belgrade last week, Mr Mahathir criticised the wealthy Western countries for replacing Christian missionaries with "fanatical crusading environmentalists." "The environment is now made into a trade weapon," he said.

In the meantime, Mr Wong Kum Choon, secretary general at the primary industries ministry, took a different, and far less aggressive, tack.

Unlike planting field crops like soyabeans, he said, growing the rubber and oil palm tree crops was a form of good and sustainable forest management that hardly hurt the environment.

To keep selling its palm oil, Malaysia has fought verbal battles like this before, for two years, against the American Soybean Association. Malaysian growers and the ASA worked out a deal earlier this year, then called a truce last month. To counter some of the American health-based charges, Malaysia hosted an international conference last week to talk about the nutritional benefits of the oil. The conference also produced backing for palm oil from some European academics and businessmen.

However, markets not just reputation, is at stake in Malaysia's palm oil industry if it is to beat off, or accomodate, competition and criticisms from environmentalists. Malaysia wants support, not competition, from Indonesia, reportedly a lower-cost producer than itself. After Malaysia, the Indonesians account for 18 per cent of world production. Malaysia is offering them a market sharing arrangement, a plan which Mr Lim has taken to Jakarta this week.

The Indian market may have to be split between the two countries. To make it large enough for both, Mr Lim has proposed that India buys, probably at a discount, Malaysian palm oil for resale elsewhere through India's own trading network.

This is not a new idea: Singapore, Malaysia's second biggest customer, is primarily a re-exporter. A decade ago, it took 29 per cent of Malaysian output; now under 14 per cent.

Mr Mahathir himself has also spoken to India's Prime Minister, Mr Rajiv Gandhi about how both countries could work out a mutually beneficial palm oil trade. India could buy Malaysian oil and sell its more expensive groundnut oil abroad.

Malaysia has discounted production, though not price, controls jointly with the Indonesians as both have done for rubber and tin; palm oil's stake in the global vegetable oil market is small, just 15 per cent – half of soybean's share. Mr Lim, for instance, does not think that the low prices currently has anything to do with a surplus palm oil output. Vegetable oil producers are simply discounting their offers and have embarked on a price war.

Like fighting the American anti-palm oil campaign, Malaysia wants and will ask this week for Indonesian support to deal with the pro-forestry campaign.

Malaysia's long term hope for its palm oil is to establish new markets, both to absorb new capacity and to cushion any reduction of purchases from Europe and the US, now seen as a real danger. Together these two regions take up 14 to 16 per cent of domestic production.

Pakistan and the Middle-east, notably Iran, have emerged as significant buyers. But it is the Chinese market that the Malaysians are keenest to develop. Up to the mid-1980s China bought negligible quantities; last year it purchased 4 per cent of total production.

The Chinese market, the Malaysians think, is largely untapped. The Palm Oil Research Institute of Malaysia said the average Chinese consumes 5 kg to 6 kg of oils and fats a year compared with 12 kg to 15 kg elsewhere.

This year's exports there could rise 50 per cent to 600,000 tonnes, 11 per cent of anticipated production. By 1992, Malaysia hopes to sell 1m tonnes, surpassing exports to Europe and the US combined so that it will have less to fear from the environmentalists and politicians from the West. With the Chinese market firmly in its hands, Malaysia will have completed its exercise, now underway, in restructuring the palm oil market.

Environmental dimension proposed for EC schemes

By Bridget Bloom, Agriculture Correspondent

PROPOSALS TO add a substantial environmental dimension to schemes aimed at reducing European Community farm surpluses have been published by the Council for the Preservation of Rural England, Britain's largest independent conservation body.

The council suggests that amendments to the so-called extensification schemes, which are already being prepared by the Community's member-state governments, to cut back production of livestock and of arable crops, could also benefit the environment at no extra cost to the farmer or taxpayer.

Under the existing *extensification plans*, farmers would be invited undertake to rednce their production by 20 per cent in return for compensation payments.

The schemes involve a wide range of commodities, from cereals and oil seed rape to beef cattle and sheep, as well as Mediterranean products like olive oil and citrus.

For arable crops, payments range up to a limit of Ecu180 (£123) a hectare. For livestock the payments are on a headage basis for herd reductions and range from £8 for a lamb to a maximum of £90 for a beef animal.

The EC schemes, which member governments are obliged to introduce but which would remain voluntary for farmers, are due to come into force by the end of the year for livestock and next year for arable crops.

The CPRE *suggests* that they could be re-designed so that they could also achieve important environmental goals such as the reduction of stock levels on over-grazed hills, much lower levels of nitrogen application, the retention or rebuilding of hedges and headlands and even the introduction of more organic farming.

In a report commissioned from Lawrence Gould, agricultural consultants, and published today, various options are examined.

For example, it is suggested that a 38 per cent cut in the application of nitrogen fertiliser to an oilseed rape crop would result in yield losses which could be made good to the farmer by a subsidy about £74 a hectare – well within the scope of the extensification scheme.

The Countryside Commission, the Government's own adviser on countryside matters, as well as the CPRE and other environmental gronps have already succeeded in persuading the UK Government to agree to the operation of a small pilot scheme to make the EC set-aside scheme – which take land out of arable production altogether for five years – more environmentally friendly.

However, the Government's opposition to extensification, which it believes will be too difficult to police, may mean that it will listen less sympathetically in this case. On the other hand, in view of its recent adoption of a higher profile on "green" issues, it could prove receptive to ideas which would give the set-aside scheme a more popular image.

Conserving the Countryside: Costing it Out. £5 summary report/£30 full report. CPRE, 25 Buckingham Palace Road, London SW1 W OPP

Brazilian mine chief denies tin group pledge

MR OCTAVIO Lacombe, chairman of Paranapanema, Brazil's main tin producer, did not say at a recent meeting that he would urge his government to join the Association of Tin Producing Countries, according to Mr Samuel Hanan, the company's managing director, reports Reuter from Sao Paulo.

Mr Ibrahim Menudin, chief executive of the Malaysian Mining Corporation, said in Kuala Lumpur this week that the Paranapanema chairman had pledged when he met him recently in Brazil to lobby Brasilia about joining the ATPC. "I was present at this meeting," said Mr Hanan. "Not at any moment did Mr Lacombe say anything about membership. He spoke only of improving relations among tin producers."

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices reversed en earlier decline to close higher on the LME yesterday after a sharp rise in New York, where stocks ere tight. The rise in copper helped prices for both eluminium and zinc. Zinc was elso lifted by some consumer buying – deelers noted thet major users were beck from the August holideys. But some treders questioned whether the rally would persist as LME zinc warehouse stocks are et 5½-year highs. Lead prices continued to edvence, nearing the recent 8-year peek efter strong merchent covering. Buying, linked to recent shortfalls in production, widened the premium for cash metal over three-month to £16.50 a tonne, compared with £5.50 on Mondey. Deelers said producers and merchants had been forced to buy back some hedges because production hed not met expectations.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.55-5.65w	-.275
Brent Blend	$17.80-7.85w	-.175
W.T.I. (1 pm est)	$19.80-9.85w	-0.15
Oil products		
(NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$205-207	
Gas Oil	$171-172	-1
Heavy Fuel Oil	$87-88	+1
Naphtha	$156-158	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$361.25	+3.00
Silver (per troy oz)♣	810c	+2
Platinum (per troy oz)	$474.00	-0.25
Palladium (per troy oz)	$140.00	+4.55
Aluminium (free market)	$1715	-5
Copper (US Producer)	135¾-38½c	+2¾
Lead (US Producer)	40.5c	
Nickel (free market)	505c	+15
Tin (Kuala Lumpur market)	21.98r	-0.40
Tin (New York)	373.5c	-5.0
Zinc (US Prime Western)	80¼c	-2½
Cattle (live weight)†	114.21p	
Sheep (dead weight)†	135.28p	
Pigs (live weight)†	100.61p	
London daily sugar (raw)	$343.6v	-2.4
London daily sugar (white)	$424v	-3
Tate and Lyle export price	£335	-3
Barley (English feed)	£108.00x	-0.25
Maize (US No. 3 yellow)	£126	
Wheat (US Dark Northern)	£126	
Rubber (spot)♥	59.0p	-0.5
Rubber (Oct)♥	62.0p	-0.5
Rubber (Nov)♥	62.75p	-0.50
Rubber (KL RSS No 1 Oct)	238.5m	-1.0
Coconut oil (Philippines)§	$510v	+15
Palm Oil (Malaysian)§	$322.5z	
Copra (Philippines)§	$295	
Soyabeans (US)	£178	
Cotton "A" index	82.30c	+1.25
Wooltops (64s Super)	600p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Sep	768	760	772 753
Dec	828	816	832 807
Mar	788	782	791 772
May	795	789	798 780
Jul	809	804	810 796
Sep	823	818	825 810
Dec	846	843	848 830

Turnover: 4846 (5673) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 14 938.78 (930.99) :10 day average for Sep 15 935.17 (939.26)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Sep	795	780	777 768
Nov	793	781	795 781
Jan	787	778	788 770
Mar	800	785	797 778
May	816	799	815 793
Jul	837	818	818 813
Sep	860	844	834

Turnover: 3890 (5706) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 13: Comp. daily 67.80 (68.25). 15 day average 70.24 (70.30)

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Oct	303.00	308.20	306.20 302.00
Dec	304.00	306.60	303.60 303.00
Mar	294.80	297.40	297.40 292.60
May	289.60	291.40	292.00 287.00
Aug	284.60	287.00	287.00 286.00
Oct	278.00	279.00	276.00 274.60
White	Close	Previous	High/Low
Oct	418.50	420.00	420.00 414.60
Dec	389.50	391.00	391.00 386.50
Mar	388.00	369.50	370.00 366.00
May	364.50	366.00	366.50 368.00
Aug	362.50	363.00	365.50 362.00
Oct	355.00	355.30	356.00

Turnover: Raw 5108 (8084)lots of 50 tonnes. White 3460 (1542).
Paris- White (FFr per tonne): Oct 2765, Dec 2810, Mar 2465, May 2440, Aug 2440, Oct 2400.

CRUDE OIL – IPE			$/barrel
	Close	Previous	High/Low
Nov	17.66	17.76	17.84 17.62
Dec	17.50	17.59	17.66 17.49
Jan	17.42	17.50	17.56
IPE Index	17.76	17.66	

Turnover: 4910 (4656)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Oct	167.00	168.50	169.25 166.25
Nov	164.75	166.00	166.50 163.50
Dec	163.75	164.50	165.00 162.25
Jan	162.25	162.00	163.50 161.00
Feb	160.50	159.00	160.00 158.50
Mar	155.00	155.00	155.00 153.75
Apr	153.50	153.00	152.25

Turnover 10203 (6128)lots of 100 tonnes

FRUIT AND VEGETABLES
The first homegrown Russets are now in the shops at 30-60p a lb, reports FFVIB. USA Thompson seedless grapes are in better supply 70p-£1.20 (£1.10-1.60) this week as are Italian Italia 50-75p (80p-£1.20). Brazilian honey tangerines are now in at 25-40p as are Argentinian grapefruit 10-25p each. Supplies of Brussels sprouts have improved 35-55p a lb (40-50p) and there are larger cauliflowers in the shops than last week 50-80p each. Leeks are 40-60p a lb (40-75p), red peppers are up slightly to 90p-£1.40 (80p-£1.30). Tomatoes are in good supply 40-60p (30-50p), while other salad prices, including cucumbers 30-60p, remain static.

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 7,825 tonne
Cash	1725-30	1720-5		1710-2		
3 months	1720-3	1715-7	1723/1705	1708-10	1722-5	31,215 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,774 tonne
Cash	1886-8	1875-7		1869-70		
3 months	1865-6	1866-7	1880/1852	1863-4	1881-2	71,021 lots
Lead (£ per tonne)						Ring turnover 6,950 tonne
Cash	473-5	461-3	477	468-9		
3 months	457-8	433-3.5	462/451	455-6	460-1	11,861 lots
Nickel ($ per tonne)						Ring turnover 810 tonne
Cash	10900-1000	10775-800	11000/10960	10950-75		
3 months	10730-50	10650-700	10825/10650	10775-800	10800-25	5,427 lots
Tin ($ per tonne)						Ring turnover 685 tonne
Cash	8050-100	8160-80	8100	8050-100		
3 months	8160-200	8250-5	8325/8165	8150-200	8300-25	5,406 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,875 tonne
Cash	1675-85	1625-35		1653-5		
6 months	1660-5	1623-5	1665/1515	1643-5	1655-60	13,324 lots
Zinc ($ per tonne)						Ring turnover 3,800 tonne
Cash	1660-5	1580-90		1625-35		
3 months	1625-30	1570-5	1620/1610	1600-10	1815-20	5,827 lots

LME Closing £/$ rate:
SPOT: 1.5605 3 months: 1.5419 6 months: 1.5231 9 months: 1.5072

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Nov	140.5	138.5	140.5 139.0
Feb	175.0	163.5	155.0
Apr	221.2	217.0	221.5 218.4
May	247.5	243.0	245.0 243.5

Turnover 442 (163) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Oct	150.00	150.00	
Dec	149.50	150.00	147.50
Feb	150.00	151.00	149.00

Turnover 24 (79)lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point
	Close	Previous	High/Low
Sep	1426	1435	1430 1424
Oct	1483	1500	1490 1475
Jan	1545	1560	1558 1542
Apr	1584	1598	1587 1581
BFI	1434	1437	

Turnover 434 (701)

GRAINS – BFE			£/tonne
Wheat	Close	Previous	High/Low
Sep	103.65	103.40	103.65 103.40
Nov	106.80	106.35	107.00 106.50
Jan	110.80	110.35	111.00 110.60
Mar	113.60	113.20	113.90 113.20
May	116.65	116.10	116.85 116.10
Barley	Close	Previous	High/Low
Sep	100.15	99.90	
Nov	102.90	102.75	102.90
Jan	106.90	106.70	107.10 106.70
Mar	109.80	108.75	110.10 109.75
May	112.35	112.00	112.25 112.00

Turnover: Wheat 200 (403), Barley 109 (117).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Oct	130.0	129.0	129.0
Nov	131.0	130.0	130.5 130.0
Feb	120.5	118.5	120.0 113.5
Apr	120.0	118.0	119.0
Jun	118.5	115.5	116.5 116.0

Turnover 144 (48) lots of 3,250 kg

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	361-361½	231½-232
Opening	360¼-360¾	230¼-230¾
Morning fix	358.8	230.198
Afternoon fix	361.5	231.484
Day's high	361¾-362¼	
Day's low	359½-360	
Coins	**$ price**	**£ equivalent**
Mapleleaf	372-377	238½-241½
Britannia	372-377	238½-241½
US Eagle	372-377	238½-241½
Angel	370-375	237-240¼
Krugerrand	361-364	231½-233½
New Sov.	85-86	54½-55¼
Old Sov.	85-86	54½-55¼
Noble Plat	479.85-487.5	307.25-312.15
Silver fix	**p/fine oz**	**US cts equiv**
Spot	325.45	505.60
3 months	336.60	520.00
6 months	348.05	531.45
12 months	370.20	554.20

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1650	96	100	15	39
1750	41	50	60	86
1850	12	22	130	155
Copper (Grade A)	Calls		Puts	
2750	230	189	48	115
2900	138	116	105	192
3100	60	59	223	326
Coffee	Nov	Jan	Nov	Jan
750	66	86	21	50
800	35	62	43	76
850	17	43	75	107
Cocoa	Dec	Mar	Dec	Mar
800	52	53	25	67
850	28	37	51	101
900	16	21	86	135
Brent Crude	Nov	Dec	Nov	Dec
1700	83		18	41
1750	50	61	34	62
1800	27	40	60	

US MARKETS

IN THE METALS, prices gained in early action helped by e smaller than expected rise in retail sales, reports Drexel Burnham Lambert. December golds high was 368.50 while the silver peaked at 522.0. The upcoming indicators today prevented further advances. Copper remained technically strong with fund buying seen throughtout the day. In the softs commission houses provided most of the selling as prices fell 41 basis October. Trade buying and speculative ehort covering firmed cocoa futures. Coffee also advanced es some price fix buying was seen. The energy complex failed to hold gains made on Wednesdey as heavy trade selling kept the market from advancing. The livestocks all closed higher led by a *limit-up move in the pork bellies*. Exports to Poland was mentioned. Live hogs rallied as spillover buying from the bellies provided support. Higher cash prices helped strengthen the cattle market. The grains were all uneventful as slow, two-sided trading continued. Cotton futures were also quiet but prices remained higher due to possible *weather problems in Texas*.

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	360.5	358.9	0	0
Oct	361.8	361.3	364.7	361.0
Nov	363.7	363.2	0	0
Dec	365.5	365.0	368.5	364.5
Feb	369.5	369.0	372.3	371.2
Apr	373.5	373.0	374.0	374.0
Jun	377.7	377.2	380.5	380.3
Aug	381.8	381.3	0	0
Oct	386.1	385.6	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	472.0	474.8	483.5	470.8
Nov	472.8	475.7	480.0	480.0
Jan	475.7	478.5	486.0	475.0
Apr	478.7	481.4	486.5	480.0
Jul	481.7	483.9	0	0
Oct	485.2	487.4	494.0	494.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	505.5	506.7	011.0	507.0
Oct	507.4	508.9	0	0
Nov	511.8	513.3	0	0
Dec	516.7	517.2	522.0	514.5
Jan	519.8	520.3	0	0
Mar	527.2	528.7	532.7	526.0
May	535.1	536.0	541.5	535.0
Jul	543.1	544.6	548.5	542.0
Sep	551.4	552.8	555.0	553.0
Dec	563.1	564.6	568.0	562.5

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Sept 13	Sept 12	mnth ago	yr ago
	1890.7	1906.7	1890.8	1885.0
DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	128.64	128.48	129.04	134.63
Futures	129.90	129.77	129.25	137.98

COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	137.30	132.40	139.50	133.40
Oct	134.45	130.60	0	0
Nov	132.30	128.90	0	0
Dec	128.70	127.20	130.50	126.10

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Oct	19.77	19.86	20.09	19.73
Nov	19.33	19.47	19.65	19.28
Dec	19.04	19.24	19.42	19.00
Jan	18.81	19.01	19.17	18.80
Feb	18.65	18.88	19.02	18.65
Mar	18.62	18.78	18.89	18.65
May	18.65	18.63	18.70	18.68
Jun	18.62	18.56	18.68	18.60
Jul	18.56	18.50	18.54	18.53

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Oct	5470	5546	5610	5465
Nov	5545	5604	5670	5520
Dec	5600	5661	5740	5575
Jan	5570	5620	5660	5545
Feb	5475	5515	5580	5430
Mar	5240	5316	5360	5220
Apr	5100	5125	5100	5100
May	4960	4995	4960	4960
Jun	4880	4915	4880	4880

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1114	1067	1113	1105
Dec	1111	1067	1117	1088
Mar	1101	1076	1107	1080
May	1113	1090	1117	1100
Sep	1145	1123	1146	1130
Jul	1128	1104	1130	1107
Dec	1178	1151	1177	1170

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	79.76	80.60	80.10	79.75
Dec	80.81	79.90	01.40	79.90
Mar	83.46	82.36	83.90	83.10
May	85.83	84.70	85.90	84.75
Jul	87.75	86.95	88.25	87.50
Sep	89.53	88.05	89.75	89.60
Dec	93.00	92.00	92.00	92.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	13.88	14.07	13.94	13.86
Jan	13.00	13.10	0	0
Mar	13.24	13.40	13.32	13.13
May	13.02	13.08	13.05	12.89
Jul	12.80	12.88	12.90	12.73
Oct	12.50	12.56	12.52	12.40

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	74.15	73.77	74.25	73.60
Dec	74.90	74.51	74.98	74.25
Mar	75.80	75.45	75.89	75.30
May	76.60	76.05	76.60	76.00
Jul	76.70	75.90	76.90	76.25
Oct	70.15	69.90	70.15	70.00
Dec	67.50	67.48	67.60	67.36

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	158.10	159.80	159.70	157.75
Nov	141.20	143.95	144.00	141.20
Jan	138.10	140.60	140.60	137.65
Mar	137.90	139.75	138.50	137.60
May	137.80	139.00	0	0
Jul	137.55	138.25	0	0
Sep	137.30	138.00	0	0
Nov	137.05	137.75	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	586/4	586/4	591/4	581/0
Nov	576/2	575/0	578/0	572/0
Jan	585/4	584/4	587/4	582/0
Mar	597/6	594/4	598/0	594/0
May	607/4	604/2	608/0	603/0
Jul	612/0	609/0	612/4	607/0
Aug	601/0	598/0	0	0
Sep	585/0	584/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	18.50	18.65	18.58	18.36
Oct	18.62	18.49	18.70	18.47
Dec	19.04	18.91	19.14	18.90
Jan	19.29	19.15	19.35	19.15
Mar	19.67	19.54	19.80	19.60
May	19.97	19.01	20.10	19.96
Jul	20.32	20.21	20.40	20.29
Aug	20.22	20.18	20.20	20.25

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	203.3	204.3	205.5	203.1
Oct	190.1	189.5	191.0	189.2
Dec	184.9	184.7	185.5	183.7
Jan	183.9	183.2	184.0	182.8
Mar	182.5	182.7	183.0	181.5
May	181.7	181.7	182.0	180.0
Jul	179.5	179.5	180.5	178.0
Aug	177.0	178.0	178.5	176.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	237/2	233/6	237/4	233/2
Dec	232/0	229/4	232/2	229/0
Mar	238/4	236/4	238/4	235/6
May	244/6	241/6	244/6	241/4
Jul	246/4	244/0	246/4	244/0
Sep	236/0	237/0	239/0	236/0
Dec	232/4	234/4	235/4	232/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	385/6	385/0	387/4	385/0
Dec	394/2	394/6	396/4	394/0
Mar	395/0	395/6	397/4	394/4
May	376/2	375/4	379/0	376/0
Jul	346/2	347/0	349/4	346/4
Sep	352/4	351/0	353/0	351/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	69.10	69.10	0	0
Oct	72.52	72.02	72.90	72.40
Dec	73.72	73.40	74.40	73.60
Feb	73.17	72.95	73.45	73.10
Apr	74.22	73.92	74.35	74.00
Jun	71.77	71.75	72.05	71.65
Aug	70.00	70.07	70.50	70.00

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	40.57	39.75	40.90	40.27
Dec	42.12	41.27	42.45	41.80
Feb	43.17	42.57	43.50	42.82
Apr	41.10	40.42	41.40	40.60
Jun	45.82	45.50	46.10	45.80
Jul	46.50	46.12	46.70	46.20
Aug	45.00	44.77	45.25	44.90
Oct	41.85	41.85	0	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	48.25	46.25	48.25	47.40
Mar	48.40	46.47	48.47	47.60
May	49.62	47.65	49.65	48.70
Jul	49.80	47.80	49.80	49.10
Aug	49.15	47.20	49.20	48.55

Share prices unsettled at the close

THE LONDON stock market appeared almost inclined to abandon any will of its own yesterday and to take its cue from the trend of Wall Street. Official data on domestic wages, unemployment and the UK quarterly trade balance had little effect, but an already weak market turned down sharply when New York lost ground in early dealings.

The main news of the day was British Petroleum's $1.3bn sale of energy assets, but this had been widely foreseen in the London stock market. The roll call of interim reports from the leading names in British industry continued but without striking many highlights in the day's trading.

Account Dealing Dates		
*First Dealings:		
Sep 4	Sep 18	Oct 2
Option Declarations:		
Sep 14	Sep 28	Oct 12
Last Dealings:		
Sep 15	Sep 29	Oct 13
Account Day:		
Sep 25	Oct 9	Oct 23

*New time dealings may take place from 9.00 am two business days earlier

Traders pointed out that today, the last day of the present equity trading Account, is fraught with potential hazards for the market. Wall Street's latest trend sets an uncomfortable backcloth for today's announcement of the US trade figures for July, as well as for the Triple Witching Hour in the US futures and stock markets.

London opened lower yesterday, abandoning the FT-SE 2,400 mark in the wake of Wall Street's 27 point overnight fall. With the exception of further speculative activity in the insurance sector, and a flare-up in BAT Industries, the market could not sustain an attempted rally and was already 15 points off when Wall Street opened.

With New York trading slowly at first, London made little further move until the very end of the session, when the blue chips dropped as a sudden fall of 22 Dow points was signalled from across the Atlantic.

The FT-SE Index closed 19.5 down at 2,382.0, after steadying from its lowest point in the final moments of the session. Seaq volume of 464.5m shares contrasted with Wednesday's 641.1m shares, which had been expanded by the placing of the Bond Corporation stake in Lonrho. The remainder of the stake passed through the market yesterday, bringing a further fall in the Lonrho share price.

Dealers sounded uncertain regarding the underlying trend of yesterday's equity sector. Market indices were hit by falls in a handful of US-orientated stocks, including ICI, Reuters and Wellcome. However, dealers in the internationals said that little stock came on offer; "In fact, London acted fairly well", said one trader.

The takeover front sounded somewhat tense as it waited for the official announcement on the Hoylake-BAT bid situation from the UK Takeover Panel; a statement is likely today, and little serious heed was paid to yesterday's flurry of market gossip. Among entertainment stocks, Rank Organisation shaded lower as London absorbed the news that News Corporation and Fox Inc have offered $1.4bn for MGM/United Artists.

Norton move popular

The latest move in the Bowater/Norton Opax/De La Rue saga took few dealers by surprise. Norton announced that its bid for De La Rue would be allowed to lapse ahead of today's extraordinary general meeting, and sent the latter's shares sharply lower. Norton's own shares rose on the view that this removed one more obstacle from Bowater's way in its attempt to take control of the company; and Bowater's shares advanced because the market thinks the deal is good for the company.

Analysts were convinced that the lapsing of its bid for De La Rue represented the final abandonment by Norton of its takeover attempt. "The only serious question remaining is whether Norton's management will recommend Bowater's offer," said Mr Geoff Allum, at County NatWest WoodMac. "But either way its almost a dead cert Bowater will win."

Although De La Rue went 17 lower at one point, the shares bounced as dealers considered the possibility of a fourth party making a bid. Likely contenders are said to be MB Group and Robert Maxwell, who already owns 15 per cent of De La Rue and influences another 6.5 per cent through a 27 per cent holding in Scitex, an Israeli company. De La Rue ended 9 down at 338p, while Norton and Bowater each firmed 2 to 219p and 503p respectively.

Asda returns

Hefty turnover in both the underlying shares and the traded options contracts saw food retailer Asda move centre stage on renewed talk of an overseas takeover bid. US retailing group A&P, Dairy Farm International of Hong Kong, and the near 5 per cent stakeholders, the Belzberg Brothers of Canada, were all mentioned as potential parties to a bid.

The feeling in the market is that if someone is to bid for Asda they will have to move quickly. The company is expected to announce soon (possibly today) the date for the extraordinary general meeting at which it will seek shareholder permission to buy 62 former Gateway superstores from Isosceles. This assumes that the bidder would prefer to take Asda without the 62 stores, something which cannot be taken for granted, say analysts.

The specific speculation of a bid involved a 240p or 250p opening offer, to arrive before the end of the next Account. As usual, traders were advising to sit back and wait, but with buyers moving into the underlying and the options, Asda firmed 3 to 203p, after peaking at 205p. Turnover was a solid 8.6m shares, while options contracts worth nearly £4m pounds were traded.

Rolls-Royce satisfies

Interim profits from Rolls-Royce came in higher than forecasts but still left analysts divided over the likely full-year result.

Mr Pete Deighton, at County NatWest WoodMac, pointed out that yesterday's figures compared income from a 26 weeks block with that from 24 weeks last time. However, he said he was happy with his £231m figure for the whole year.

Mr Piers Whitehead, at Robert Fleming, said the figures had been distorted by the effect of an overtime ban on aero-engine deliveries. Nevertheless, he too is leaving his full year forecast unchanged, but at £260m.

Rolls climbed 6 to 197p by the close, having touched 200p earlier in the day.

BAT active

In the absence of news from the UK Takeover Panel meeting, shares in BAT Industries had an exciting, if somewhat speculative, trading session. The shares closed 3 up at 801p but had touched 822p as a succession of tales swirled round the market; turnover of a mere 2m shares suggested that much of the excitement was no more than speculative froth.

The whispers ranged from confident assertions that the Panel had agreed to extend the Hoylake bid deadline, to even more confident assurances that a cash bid of 950p a share for BAT was coming any moment "from the Continent." However, the wiser dealers, noting that much of the business in the shares consisted of intermarketmaker trading, settled down to wait for an official statement from the Panel, probably today.

Confirmation of the BP job cuts and asset disposals in its general reorganisation programme proved something of an anti-climax in a stock market that has been expecting such a wide-ranging series of moved. The BP share price, a strong performer over the past couple of days, ran back to end the day 5 down at 320p on turnover of 9.9m. "It's all in the price," was a quote from at least three top sector specialists.

There was also a common view that Oryx, the US group, had paid a full price for the BP assets, "good for BP and also good for the other exploration and production stocks," according to one analyst.

Shell ran back 5 to 460p, partly on marginal disappointment with the interim dividend, which at 7.7p, compared with a figure of 8p forecast by many analysts. Turnover in Shell, 6.3m, compared favourably with recent high levels. Dealers noted signs of renewed switching between Shell and BP.

LASMO held at 534p on turnover of almost 3m shares, which included some unusually large single trades in the region of 1m apiece. Dealers said there had been a measure of relief that the company had not moved to acquire a large portion of the BP assets — "But there is always the possibility that companies may exercise pre-emption rights."

Ultramar took off on a strong early run, touching 353p, but later subsided to close only 2 higher at 348p. There was talk of persistent buying, thought to have originated from Canada.

Big switching was seen in the big-four banks, with Lloyds, aggressively traded and closing 3 off at 419p on turnover of 5.3m that included single deals of 2m and 1m. One house was said to have been a large buyer of the stock while others were selling Lloyds and switching into NatWest, which settled 1¼ easier at 337½p on 1.4m. Hints that a Hong Kong & Shanghai/Midland deal may be revealed soon kept Midland shares on the move before closing 2 off at 375p.

A placing of 2.5m Standard Chartered at 531p by one of the leading broking houses had little impact on the Standard share price — 2 off at 535p — but bumped up turnover in Standard to 7m, the biggest for some time.

Interims from Morgan Grenfell showed profits up from £21.9m to £32.8m and an interim dividend of 4.25p, both at the top end of estimates. But the shares retreated 10 to 336p with dealers citing profit-taking after the recent outstanding performance. Kleinwort Benson, after confirming it had bought in 160,000 shares at 357p on Wednesday, were 3 cheaper at 359p. SG Warburg also suffered from profit-taking, ending the day 7 lower at 448p.

Takeover talk permeating the composite insurances, and to a lesser extent the life assurances. Commercial Union (CU), the current bid favourite in the composites and the scene of lots of action over the past year or so, leapt to a year's best of 465p before ending the day a net 16 higher at 461p, still buoyed by talk that a predatory move against CU by either General Accident or Guardian Royal Exchange, or an overseas group, would certainly bring in Sun Alliance.

The last mentioned bought 3 per cent stake of CU from Adsteam some weeks ago to take its stake to 14.5 per cent. There was also talk that Sun Alliance may be about to bid for CU. Mr Andrew Goodwin of UBS Phillips & Drew said he believed Sun Alliance has predatory intentions towards CU "but not for 12 months." He added that the composite sector "has reached a level where yields — unless something emerges of a corporate nature — have come down too far." The UBS analyst said "there is a hugely speculative ring about the stories." General Accident shares jumped 15 to 1100p, while Guardian Royal were 4 higher at 242p on 3.8m and Sun Alliance 6 higher at 322p. Royals were rather left behind, settling only a couple of pence ahead at 479p.

Lifes were highlighted by gains in Refuge and Britannic with the former's performance surprising in view of the slightly disappointing interim dividend of 7.25p against 6.5p. The jump in the share price was attributed by dealers to news that some 4.8m shares changed hands yesterday in only 12 bargains. Some thought that the 4.8 per cent stake in Refuge held by Peel Holdings had been sold on. Britannic, which holds a 10 per cent of Refuge jumped 19 to 488p in sympathy. Refuge holds 7.3 per cent of Britannic.

Willis Faber edged up 3 to 228p after interim profits at the top end of the range.

Wellcome fell after a demonstration against the price of the company's anti-Aids drug Retrovir, and in anticipation of similar protests in New York and San Francisco. The shares closed 16 down at 678p.

Among stores GUS again stood out. The "A" stock rose sharply around lunchtime to a day's peak of 1233p before losing momentum and closing up a net 8 at 1210p on turnover of ¼m shares. Recent talk has been of an imminent enfranchisement of the "A" shares, but most analysts of GUS, a notoriously secretive company, regard such a move as highly unlikely.

However, there is a feeling that something is up at GUS. As one analyst said: "There is more going on than the market generally realises." He felt that the next corporate news from GUS, "and it will come sooner rather than later," will be linked to the company's desire to realise value in the group, possibly through the floating of a subsidiary.

Buyers dominated trade in British Aerospace, which recovered 8 of Wednesday's 45p fall to close at 663p.

Vickers continued to advance on speculation over what Mr Ron Brierley, the New Zealand entrepreneur, would do with his stake in the company. Vickers advanced 8 before subsiding to 249p, 4 better on the day.

British Steel began trading in "new time" form with the second call included in the price. Trading was thin: "everyone is still a bit flummoxed by them," said one dealer. Steel partly-paid ended a shade easier at 78¼p while the shares bought for new time closed at 142½p.

Kwik-fit rose on the news that West German tyre maker Continental had taken a 10 per cent stake. But the shares subsided from the 158p peak to close 2 off on the day at 147p as dealers came to the conclusion that a full bid was not on the cards.

The £110m acquisition of sugar confectionery manufacturer Trebor by Cadbury Schweppes was relatively well received. The placing of 37.8m shares at 360p to fund part of the deal was said to have gone smoothly, and Cadbury ended the session 2 lighter at 289p xd on turnover of 4.2m. Dealers warned that the purchase of Trebor, which will give Cadbury around 27 per cent of the £1bn a year UK sugar confectionery market, could be open to investigation by the Monopolies and Mergers Commission.

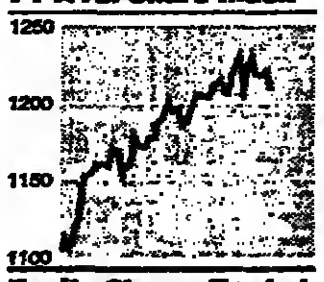
An upbeat annual meeting and an increase in borrowing powers helped Maxwell Communications to score one of the FTSE 100's strongest performances. Mr Brian Sturgess, at BZW, said that higher borrowing would allow Maxwell to consolidate the Official Airlines Guide, which it bought last year for $750m. "Without consolidation, you cannot include the profits in with the company," explained Mr Sturgess.

One dealer said: "Maxwell realises not that he has to get in favour with the City and Americans." Maxwell Communications is planning presentations to US investors shortly. Mr Robert Maxwell yesterday said that he had "given up worrying" about the views of the London market on his share price. He said that US investors would be less reticent about buying his stock.

Polly Peck, overseas trader and recent buyer of Del Monte, eased 2 to 385p.

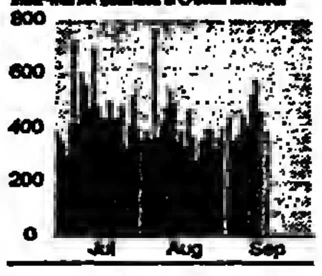
■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 34

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excl: Intra-market business & O'seas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (73). [illegible]

FINANCIAL TIMES STOCK INDICES

	Sep 14	Sep 13	Sep 12	Sep 11	Sep 8	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.94	86.08	86.04	86.06	86.08	86.81	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.61	96.65	96.73	96.70	96.91	96.63	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1965.8	1980.1	1980.6	1981.6	2003.7	1422.0	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	204.6	205.4	205.9	206.3	204.9	178.4	209.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2382.0	2401.5	2397.6	2400.6	2423.9	1765.1	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.05	4.05	4.02	4.02	3.98	4.83				
Earning Yld %(full)	9.86	9.78	9.68	9.68	9.46	12.18				
P/E Ratio(Net)(☆)	12.23	12.32	12.47	12.48	12.73	9.96				
SEAQ Bargains(5pm)	26,190	26,149	28,470	27,162	28,981	19,898				
Equity Turnover(£m)†	-	914.76	926.69	1133.40	1289.00	933.64				
Equity Bargains†	-	41,401	25,728	28,753	31,064	20,695				
Shares Traded (ml)†	-	372.3	443.5	398.5	516.1	351.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ☆ Nil 12.11

Ordinary Share Index, Hourly changes — Day's High 1978.9 — Day's Low 1965.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1977.4	1974.4	1971.8	1975.1	1976.7	1976.2	1974.0	1970.1

FT-SE, Hourly changes — Day's High 2390.8 — Day's Low 2382.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2397.0	2394.3	2394.3	2390.8	2387.6	2387.7	2386.2	2386.3

S.E. ACTIVITY

Indices	Sep 13	Sep 12
Gilt Edged Bargains	82.0	75.8
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day average		
Gilt Edged Bargains	80.2	80.1
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]															

APPOINTMENTS

S.G. Warburg director with international distinction

S.G. WARBURG, the merchant banking group, has appointed as a non-executive director Mr Thomas H. Wyman, who has had a distinguished international business career.

Mr Wyman, 59, was vice president of Nestlé and general manager of Polaroid before becoming president of Green Giant and vice chairman of Pillsbury. He was chairman and chief executive of CBS from 1980 to 1986.

His current appointments include directorships of General Motors, AT&T, ICI and United Biscuits.

■ NATIONAL WESTMINSTER BANK appointed Mr Bernard Horn to the newly created post of general manager, group chief executive's office.

The position, planned under the bank's internal restructuring introduced earlier this year, carries responsibility for administration and co-ordination of operational issues at senior executive level.

Mr Horn formerly held the post of director, planning and control in Corporate & Institutional Finance.

■ POWER CORPORATION, the Dublin-based property development, investment and management company with portfolios in the UK, US and Eire, is to appoint Mr Nicholas Orme to the main board as executive director in charge of Power's UK interests.

Mr Orme, 39, will join Power on October 2 from surveyors Fletcher King, where he has been retail and development director for the last two years. He will remain a consultant.

Power has a close relationship with Fletcher King, and has recently appointed the surveyors as main UK property advisers to the company.

GIROBANK announced the appointment of Mr Peter Clarke (above) as director finance. He was previously chief accountant.

Since Mr Clarke joined the bank in 1981, he has been closely involved with its acquisition of plc status in 1985, and more recently with the process leading to its proposed privatisation.

Mr Ian Lawrence was named treasurer. He moved to the bank last year as deputy treasurer from Al Saudi Banque, where he was assistant general manager.

■ SCHOLES GROUP, the electrical products manufacturer, named Mr Richard Hayes, 41, as a non-executive director.

He is a senior commercial partner specialising in company and corporate law at the Manchester-based Addleshaw Sons & Latham, solicitors to Scholes.

■ VALIN POLLEN has announced the following senior management appointments: Mr Ray Dafter, currently an assistant managing director, has been promoted to deputy chief executive. He will maintain ultimate responsibility for the company's consultancy services. Mr Andrew Boys moves up from assistant managing director to managing director. Mr John Williams, research and planning director, becomes an assistant managing director. In addition to his current responsibilities, Mr Williams will take over the role of Mr John Lawson as head of advertising.

■ At PROVIDENT FINANCIAL, where Mr Peter Hogg recently became chief executive, the following are being appointed to the board: Mr Howard Bell, who will be responsible for Provident Personal Credit, the principal subsidiary; Mr Ian Chippendale, who will oversee subsidiary company planning; and Mr Roger Pawson, taking the role of group finance director in charge of statutory and management accounting and treasury matters.

Mr Peter Bretherton, a director since 1983, will remain head of central services and will act as chairman of subsidiary companies in special circumstances.

Within the BTR group, Mr Tony Scanlon (above) has been named managing director of Dunlop Aviation Division in Coventry. He succeeds Mr Lou FitzGerald, who has become chief executive for Dunlop Aerospace Group.

Mr Scanlon, 45, had been director and general manager of Serck Aviation Division, based in Birmingham.

FT UNIT TRUST INFORMATION SERVICE

• Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	57.25	57.81	61.51	-0.76	4.46
Gilts & Fixed Int	6	109.5	109.5	116.1	-0.1	8.61
High Inc Equity	6	141.4	144.3	153.6	+0.4	4.11
Worldwide Bond	6	204.4	204.4	216.5	-0.6	4.90
Capital Growth						
American Growth	6	204.5	206.7	219.9	-3.0	0.86
Asian Pacific	6	115.0	117.3	124.8	-2.2	1.04
Assets & Earnings	6	166.5	166.5	178.1	-0.3	2.08
Capital Reserve Acc	0	86.88	86.88	86.97	-0.06	4.60
Capital Reserve Inc	0	77.12	77.11	77.70	-0.06	5.18
Comm & Energy	6	115.6	118.9	126.5	-0.1	1.59
1992 Enterprise	6	61.75	62.98	67.01	-0.16	1.91
Euro Capital Acc	6	95.23	96.06	102.2		0.73
Euro Capital Inc	6	91.82	92.62	98.54	-0.09	0.76
General	6	187.0	187.0	200.1	+0.2	2.40
International	6	55.03	55.82	59.39	-0.25	0.84
Japan	6	111.5	117.3	124.0	+0.4	0.00
Mastertrust	6	92.78	92.78	99.23	-0.15	1.71
UK Growth Acc	6	208.7	208.7	223.3	+0.1	1.25
UK Growth Dist	6	139.2	139.2	148.9		1.88
US Emerging Cos	6	56.65	56.65	60.59	-0.45	0.00
Income & Growth	6	321.0	327.4	348.3	-0.3	2.94
Ethical	6	51.50	52.77	56.14	-0.05	1.78

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen 489 10J 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	34.52	34.52	36.85	-0.39	2.62
European	5¼	73.80	73.84	79.63	+0.26	0.00
European Income	5¼	69.54	69.54	74.23	-0.13	2.58
Exempt	1	854.8	854.8	889.0	-7.30	1.81
Extra Income	5¼	46.58	46.58	49.72	+0.09	4.27
F East Emerg Econs	5¼	60.56	60.79	65.11	-0.16	0.39
Fund Inv Tst	5	135.9	135.9	145.0	-0.40	1.95

[illegible]

Buckmaster Mangmt Co Ltd – Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	170.5	176.1	186.8	-0.02	4.23
(Accum Units)	5	323.5	343.4	364.3	+0.6	4.23
International	5	126.1	126.1	133.4	-2.1	1.15
(Accum Units)	5	173.4	173.4	183.4	-2.8	1.15
Smaller Co's	5	119.8	122.9	130.4	-0.1	1.60
(Accum Units)	5	131.7	135.1	143.3	-0.1	1.65
Inv Portfolio	2½	58.14	60.21	62.07	-0.07	3.14
(Accum Units)	2½	60.35	62.50	64.43	-0.07	3.14
High Income Port	3	50.65	51.04	52.89	+0.01	5.96

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sm Old Gilt & FI	1½	54.20	54.20	56.01	-0.04	12.87

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
F & B Sel Intl Gwth	5½	50.14	50.14	53.90	-0.41	1.52

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green W12 8SO 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	59.31	60.28	64.47	-0.19	2.23
Global Tst	5½	46.82	47.34	50.63	-0.13	2.01
Recovery Tst	5½	52.16	52.16	58.01	-0.20	1.92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr. Cottons Lane Ldn SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	117.5	119.2	125.7	-0.2	4.08

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	68.44	68.44	72.80	-0.59	0.63
CS International	5	63.85	63.85	67.92	-0.54	1.47
CS Japan	5	140.6	140.6	149.5		0.28
CS Portfolio Inv $	5	79.05	79.05	84.07	-0.07	1.28

Canada Life Unit Tst Mngrs Ltd (1200)F
2-6 High St, Potters Bar, Herts 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	153.0	155.6	163.7	-0.10	2.83
Do Gen Accum	5	258.4	262.8	276.6		2.03
Do Income Dist	5	101.5	103.7	109.1	+0.10	5.16
Do Inc Accum	5	232.5	237.6	250.1	+0.10	5.16
Gilt & Fxd Int	5	36.38	36.47	38.39	-0.04	8.36

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB 01-902 8876. Dealing: 0800 282621

[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Growth	6	64.49	64.56	68.68	-1.5	0.94
Gilt & Fixed	6	51.17	51.20	54.47	+0.16	8.31
Income	6	58.90	59.86	63.68	+0.1	3.29
Japan Growth	6	58.71	59.07	62.84	-0.50	0.00
Managed	6	59.61	60.34	64.19	-0.8	1.74
Money Market	6	54.02	54.02	57.25	-0.18	9.84
North American	6	63.09	64.14	68.23	-0.42	0.22
Midland FSAVCS Unit Trust						
British	6	60.32	60.88	64.77	+0.03	2.24
European Growth	6	62.86	62.92	66.94	-0.15	0.54
Gilt & Fixed Int	6	50.34	50.36	53.57		9.16
Income	6	59.93	60.85	64.73	+0.01	3.29
Japan Growth	6	60.99	61.36	65.28	+0.10	0.00
Managed	6	58.69	59.40	63.19	-0.08	1.73
Money Market	6	52.03	52.03	55.14		9.87
North American	6	63.20	64.47	68.59	-0.36	0.22

[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Equities Acc	5	40.11	40.11	43.01	-0.37	1.10
W'wide Bond Inc	5	52.05	52.05	54.93	-0.45	5.89
W'wide Bond Acc	5	54.71	54.71	57.73	-0.48	5.89
Emerging Asia Inc	5	98.88	98.88	105.90	-1.5	0.00
Emerging Asia Acc	5	98.88	98.88	105.90	-1.5	0.00
UK Money Mkt Inc	0	50.22	50.22	50.22	+0.01	12.95
UK Money Mkt Acc	0	50.22	50.22	50.22	+0.01	12.95

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	127.2	128.7	136.9	-0.3	2.52
PM Income & Gth	5	105.7	106.8	113.6	+0.5	3.85
PM Nth Amer Gth	5	61.97	63.42	65.92	-0.55	1.14
PM European Gth	5	62.05	62.24	66.21	-0.18	0.67
PM Japan Gth	5	80.57	80.71	85.86	+0.3	2.29
PM Overseas Gth	5	57.35	57.35	61.01	-0.04	0.43

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

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Windsor Trust Mngrs Ltd

Albany Life Assurance Co Ltd—Contd.

City of Edinburgh Life Assurance

Devonshire Life

Assicurazioni GENERALI SpA

Irish Life Assurance Co Plc—Contd.

MGM Assurance

NEL Britannia Assce Co Ltd—Contd.

Wright Seligman Fund Mngrs Ltd

Allied Dunbar Assurance Plc

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	130.0	137.0	−0.0	–
Building Soc. Fd.	174.0	184.0	.....	–
Balanced	292.0	308.0	.....	–
European	192.0	203.0	.....	–
GT Managed	191.0	202.0	−1.0	–
Gartmore Mngd.	129.0	136.0	.....	–
German	137.0	145.0	.....	–
Gilt	182.0	192.0	.....	–
Global	50.0	53.0	.....	–
High Inc.	121.0	128.0	.....	–
International Equity	205.0	216.0	.....	–
Japan	266.0	280.0	+1.0	–
Managed	64.0	68.0	.....	–
Property	291.0	307.0	.....	–
R. W. Imperial Gold	156.0	165.0	.....	–
UK Equity	365.0	385.0	−1.0	–
Pension Funds				
American	158.0	167.0	.....	–
Building Soc. Fd.	176.0	186.0	.....	–
Balanced	227.0	239.0	.....	–
European	192.0	203.0	.....	–
German	122.0	129.0	.....	–
Gilt	159.0	168.0	.....	–
International Equity	158.0	158.0	.....	–
Japan	143.0	151.0	.....	–
Managed	68.0	72.0	+1.0	–
Property	223.0	235.8	.....	–
UK Equity	335.0	353.0	.....	–

Professional Life Assurance Co Ltd
Frobisher Hse Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or −	Yield Gross
Pensions Managed Fund	98.56	104.20	−0.16	–
Pensions Cash Fund	79.79	83.99	−0.04	–

Prolific Life & Pensions Ltd
Stramongate Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd.	631.5	665.5	−0.7	–
Adventurous Mngd.	137.3	144.7	−0.3	–
Secure Mngd	113.3	119.4	−0.1	–
Cash Fd.	237.6	250.4	.....	–
Property Fund	293.6	312.9	.....	–
Equity Fund	719.3	758.0	−0.7	–
Fxd. Int. Fund	303.5	319.9	−0.5	–
International	327.4	348.3	+0.1	–
High Income	481.3	512.1	−7.1	–
Far East	436.6	464.5	−5.5	–
North American	307.6	324.2	−1.3	–
Special Sits.	664.2	706.7	−0.5	–
Technology	266.0	283.0	+0.4	–
Extra Inc Fd	294.7	313.6	−4.2	–
Convertible & Gilt Fd	160.8	171.1	−0.3	–
American Income	143.0	150.7	−0.8	–
Gilt Fund 20	303.5	322.9	+0.1	–
European Fund	112.4	118.5	−0.2	–
Pref & Fixed Int.	100.1	106.5	−0.1	–
Pension Funds				
Balncd Gth Mnd Pens Acc.	607.8	639.8	−0.1	–
Adventurous Mnd Pens Acc.	133.3	140.4	−0.1	–
Secure Mngd Pens Acc.	112.4	118.4	−0.1	–
Building Soc. Acc.	248.9	262.0	.....	–
Property Pens. Acc.	300.8	316.7	.....	–
Fix. Int. Pens. Acc.	424.2	446.6	+0.7	–
Equity Pens. Acc.	810.6	853.3	−0.5	–
International Pens Acc.	305.3	321.6	+0.2	–
High Inc Pens Acc	527.0	554.8	−2.1	–
Tech Pens Acc.	175.1	184.4	+0.4	–
N American Pens Acc.	209.9	220.5	−0.9	–
Far Eastern Pens Acc.	437.6	460.7	−0.8	–
Special Sits Pens Acc.	552.2	581.3	−0.4	–
Extra Income Pens Fd.	355.7	374.5	−1.1	–
Convertible & Gilt Pen.	179.3	188.8	−0.4	–
American Inc Pens.	157.2	165.5	−1.1	–
European Pens	118.0	124.3	−0.1	–
Managed Cash Pens.	114.3	120.4	.....	–
Pref & Fixed Pens.	103.5	109.0	−0.2	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	601.7	633.4	−0.1	–
Equity	876.9	923.1	+0.9	–
Global Equity	261.3	275.1	−0.9	–
Fixed Interest	413.0	434.8	−0.2	–
Property	406.7	428.2	+0.9	–
Cash	161.2	169.7	+0.1	–
Index Linked Gilt	203.8	214.6	−0.3	–
Guaranteed	12.93		.....	–
International Money	207.1	218.0	.....	–
North American	84.2	88.7	−0.9	–
Japanese	147.9	155.7	+0.4	–
European	105.6	111.2	−0.4	–
Special Situations	124.4	131.0	.....	–
Communications	113.8	119.8	−0.2	–
Smaller Companies	117.0	123.2	+0.2	–
International Small Cos.	147.0	154.8	−0.3	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Sept 13	£168.19	173.67	−1.1	–
Equity Sept 13	£185.59	195.50	−1.24	–
International Sept 13	£28.79	29.42	−0.91	–
Intl Bond Sept 13	£12.76	12.91	−0.13	–
Fixed Int Sept 13	£74.09	74.90	−0.07	–
Index Linked Sept 13	£63.55	64.34	+0.02	–
Property Sept 13	£114.49	121.21	+0.35	–
Cash Sept 13	£21.5749	21.5749	+0.0555	–
Pru-Linked Retirement Plan				
Managed Sept 12	411.3	428.5	.....	–
Cash Sept 12	202.5	211.0	.....	–
Prudential Pensions Investment Account				
Pens Mngd Sept 19	165.3	177.7	+0.3	–
Pens UK Eq Sept 14	319.5	344.6	+0.4	–
Pens Intl Sept 14	199.0	219.0	+0.4	–
Pens Fixed Sept 14	169.2	178.7	−0.6	–
Pens Index Lk Sept 14	161.8	170.9	.....	–
Pens Cash Sept 14	132.2	139.2	.....	–

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Exch 11pc 1989	[illegible]		—	—
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]		5.03	11.20
99½	[illegible]	Exch 10¼ pcCv '89	99½	[illegible]	10.31	12.80
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	15.02	12.94
[illegible]	124	Treas 2pc IL '90(84.6)	[illegible]		2.09	9.98
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]		11.09	12.76
[illegible]	[illegible]	Exch. 12½ pc 1990	[illegible]	[illegible]	12.54	13.22
95¼	[illegible]	Treas. 3pc 1990	[illegible]		3.13	7.91
97¼	[illegible]	Treas 8¼ pc 1987-90‡‡	97¼	[illegible]	8.48	12.07
[illegible]	95¼	Treas. 8pc Cv 1990 ‡‡	[illegible]	[illegible]	8.26	12.10
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	10.27	12.57
[illegible]	[illegible]	Exch 2½ pc 1990	[illegible]	[illegible]	2.69	8.89
[illegible]	[illegible]	Treas 11¼ pc 1991	[illegible]	[illegible]	11.82	12.21
93¼	[illegible]	Funding 5¾ pc '87-91‡‡	93¼		6.17	10.64
[illegible]	[illegible]	Treas. 3pc 1991	90¼		3.32	9.49
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.31	11.57
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]		11.16	11.75
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]		8.61	11.66
[illegible]	[illegible]	Treas 12¾ pc 1992‡‡	[illegible]		12.39	11.27
99½	[illegible]	Treas 10pc 1992	[illegible]		10.29	11.34
[illegible]	91	Treas. 8pc 1992 ‡‡	92¼		8.63	11.32
100¼	[illegible]	Treas 10½ pc Cv 1992‡‡	[illegible]	[illegible]	10.68	11.24
85¼	82¼	Treas. 3pc 1992	[illegible]		3.54	9.38
[illegible]	101¼	Exch. 12¼ pc '92	102½	[illegible]	11.96	11.22
109¼	[illegible]	Exch 13½ pc 1992	106	[illegible]	12.74	11.10
[illegible]	[illegible]	Treas 8¾ pc 1993	[illegible]	[illegible]	8.93	10.97
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.25	10.85
108¼	[illegible]	Treas 12½ pc 1993‡‡	105	[illegible]	11.91	10.85
[illegible]	84¼	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.90	10.02
113¼	108¼	Treas 13¾ pc 1993‡‡	[illegible]	[illegible]	12.53	10.77
[illegible]	89¼	Treas. 8½ pc 1994	[illegible]	[illegible]	9.24	10.83
[illegible]	112½	Treas 14½ pc 1994‡‡	[illegible]	[illegible]	12.78	10.62
[illegible]	[illegible]	Exch 13½ pc 1994	[illegible]	[illegible]	12.33	10.80
100¼	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.24	10.63
110¼	[illegible]	Exch. 12½ pc 1994	[illegible]	[illegible]	11.79	10.78

Five to Fifteen Years

BRITISH FUNDS – Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	3¾	Assoc. Br. Eng. 1p	4¾	—	0.08	2.7	2.2	(17.9)
[illegible]	190	Do. 8pcCumCvRdPf.	230	—	8%	—	4.6	—
[illegible]	445½	Assoc Brit Ports	651	+10	†10.0	4.0	2.1	16.2
[illegible]	41	♦Assoc. Energy 5p	41	–3	—	—	—	—
[illegible]	136	Assoc. Nursing Serv 10p	197	—	2.0	—	1.4	—
[illegible]	£18	Astra AB B Sk12½	£34¼	–⅛	Q20%	3.4	0.7	—
[illegible]	90	Aukett Assocs. 5p	123	—	W3.0	2.9	3.3	13.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)—Contd.

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	117	Metalrax Group 10p	148	–2	L4.2	1.9	3.8	14.3
[illegible]	161	Metal Closures	169	—	8.15	1.3	6.5	14.2
[illegible]	133	Metsec 10p	208	—	†3.8	3.7	2.5	14.8
[illegible]	310	Mid Kent Hldgs	318	+8	6.0	—	2.5	—
[illegible]	92	Do. Wrrts	94	+2	—	—	—	—
[illegible]	17½	[illegible]	25½	–½	—	—	—	—
[illegible]	230	[illegible]	230	—	a0.29	7.7	0.2	98.5
[illegible]	[illegible]	[illegible]	81	–3	3.83	2.4	6.3	8.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.9	1.9	4.8	13.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	145	Airtours 10p ... y	161	......	†6.25	3.2	5.2	7.5
[illegible]	195	Anglia TV ... β	318	−1	†7.75	3.3	3.3	12.1
[illegible]	109	Avesco 1p ... β	150	+3	Q2.13	8.9	0.9	13.8
[illegible]	19	BCE Hldgs 5p ... y	19	......	0.4	−	2.8	−
[illegible]	275	Barr & W.A.T. 'A' ... y	385xd	......	†15.0	1.7	3.2	15.5
[illegible]	10	Boad Media ...	13	......	Q2c	−	7.4	−
[illegible]	225	Boosey & Hawkes ... y	488	......	10.0	2.5	2.8	19.0
[illegible]	35	Border T.V. ... y	55	......	2.0	♦	5.0	♦
[illegible]	317	Brent Walker 10p ... β	388	−2	11.0	3.6	3.8	7.8
[illegible]	87	Do 6pc.Cv.Cm.Rd.Pf ... y	103	−2	6.0	−	7.8	−
[illegible]	[illegible]	[illegible] Int'l. 10p ... y	101	......	−	−	−	−
[illegible]	[illegible]	[illegible] Int. 20p ... y	228	−2	8.5	3.9	5.0	5.9
1135	[illegible]	[illegible] Radio 10p ... β	1121	+1	†10.0	3.6	1.2	30.8
958	[illegible]	[illegible] Cinemas ... α	943	−9	†7.5	5.2	1.1	25.5
455	[illegible]	[illegible] Comms. 5p ... y	455	......	†7.2	2.1	2.1	27.3
823	[illegible]	[illegible] ... β	818	+1	25.5	2.5	4.2	12.5
248	[illegible]	[illegible] ... y	178	+2	a3.43	0.1	2.7	−
138½	[illegible]	[illegible] vision 5p ... β	123	−1	†h0.5	10.1	0.5	24.3
38	[illegible]	[illegible] Tr'breaks $0.20 ... y	18	......	−	−	−	−
392	[illegible]	[illegible] Group 5p ... β	382	−2	†1.7.2	2.7	2.5	19.7
106	69½	[illegible] Leisure ... y	101	......	†Q62%	29.9	0.1	37.7
110	[illegible]	[illegible] Lands 10p ... y	69	−1	0.5	−	1.0	−
•117	[illegible]	[illegible] Leis. 20p ... α	111	......	−	−	−	30.3
675	[illegible]	[illegible] Boats 10p ... y	655	−5	†13.5	3.6	2.7	8.6
249	[illegible]	[illegible] Leisure ... β	230xd	−4	†2.93	3.3	1.6	24.1
755	[illegible]	GWR Group 20p ... y	725	......	†3.0	11.3	0.6	18.9
73	[illegible]	[illegible] TVA 10p ... β	70	......	3.0	2.8	5.7	8.0
31	[illegible]	[illegible] Comm ... y	24	......	−	−	−	−
132½	[illegible]	[illegible] TV Ord ... β	124	+3	†h3.9	3.9	4.2	8.1
192	[illegible]	[illegible] ex A$0.25 ...	97	......	Q17c	♦	8.7	♦
117	[illegible]	[illegible] Tec Sports ... y	123	......	4.5	3.2	4.9	8.6
27½	[illegible]	[illegible] Media Cons. 5p ... y	15½	−½	−	−	−	−
255	[illegible]	[illegible] Sound 10p ... y	220	......	Q2.7	2.8	1.6	29.3
68	41	[illegible] 10p ... β	54	−½	†1.4	2.4	3.5	15.8
138	[illegible]	[illegible] 7p Rd. Pf ... y	128	......	7.0	−	7.3	−
237	152	[illegible] WT 5p ... β	231	−2	15.7	3.4	3.3	11.6
111	6[illegible]	[illegible] Inv 10p ... β	66	......	s1.75	1.4	3.5	28.4
[illegible]	[illegible]	[illegible] Dev. 50p ... y	482	......	7.5	♦	2.1	♦
[illegible]	[illegible]	[illegible] Leisure 10p ... α	101½	−1½	†a4.56	1.8	3.4	22.0
[illegible]	[illegible]	[illegible] 7.25p Cv Rd Pf 20p ... y	103	−1	7.25	−	9.4	−

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
39	24	Sleepy Kids 5p ... y	33	−3	−	−	−	−
•17½	5½	Stalis Hldgs 5p ... y	7½	......	−	−	−	11.0
•3¼	1¼	Swanyard Studios 1p ... y	1¼	−¼	−	−	−	8.4
11	5½	Systems Connection 2½p ... y	3½	......	−	−	−	7.2
50	37	Tavern Leis. 20p ... y	45	......	−	−	−	−
115	28	Tomorrows Leisure 20p ... y	104	+1	−	−	−	31.8
19	11	Tullow Oil 10p ... y	16	−½	−	−	−	−
113	80	UPL Group 10p ... y	80	......	2.75	1.9	4.6	15.1
150	135	Unit Group ... y	144	......	3.0	3.3	4.6	8.2
100	66	Video Magic Leis. 1p ... y	96	......	W2.0	0.7	2.8	77.0
14	5	Vista Ents 5p ... y	7½	−¼	−	−	−	−
40	32	Vizcaya Hldgs 5p ... y	32	−1	−	−	−	−
46½	23	Whitegate Leisure 20p ... y	43½	−½	−	−	−	−
32½	10	Do Wrrnts ... y	32	......	−	−	−	−
10¼	5	Wilton Group 1p ... y	2¼	+¼	−	−	−	−

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, y Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... y	96	......
Craig & Rose £1 ... y	830	......
Finlay Pkg. 5p ... y	86	......
Holt (Jos) 25p ... y	1345	−3

IRISH

Cap. 8½% Ln. 1991	£98	......
9pc Cap Ln 1996	£99¼	......
Fin. 13% 97/02	£119	......
Arnotts	422	......
Carroll (P.J.) ... y	155	......
Hall (R. & H.)	172	......
Helton Hldgs ... y	92xd	−1
Irish Ropes	212	......
United Drug	145	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	30
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	10
GKN	34
Hanson	16
Hawker Sidd	68
ICI	100
Jaguar	25
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	10
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	58
Randsworth	28

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	150
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases ahead of data

THE DOLLAR and sterling were caught in the grip of indecision, ahead of today's announcement of a host of US economic news.

Figures on US retail sales were published yesterday, as well as various UK statistics, but none of these moved either currency very much. The dollar's decline took place overnight in New York and then in Tokyo, but there was little further movement in Europe yesterday.

Data on US producer prices, industrial production and capacity utilisation will hit the financial markets today, but attention is likely to focus on the July trade figures. The market does not expect an improvement over the June trade deficit of $8.2bn, with most forecasts for July in the region of a $9bn shortfall.

The problem facing any trader yesterday was uncertainty about the US economic picture and fear that even if the trade news is in line with expectations, one of the other figures could produce enough surprise to move the dollar out of its recent range.

Support for the dollar is seen at DM1.9640 and DM1.9400. The first level was tested yesterday and held, but the general trend was for a weakening of the currency, as the market became increasingly nervous of running long dollar positions.

Apart from US economic events, the market also sees a possible rise in European interest rates, led by West Germany, while Tokyo traders moved early to square long dollar positions, ahead of today's public holiday in Japan.

The Bank of Japan was again the only central bank to intervene on the foreign exchanges and this coupled with position squaring in Tokyo led to a weak start for the dollar in Europe. Japanese officials also continued their efforts to talk the dollar lower, with hints of more co-ordinated central bank intervention and warnings of rising inflation from a weak yen.

At the London close the dollar had fallen to DM1.9690 from DM1.9800; to Y146.55 from Y146.95; to SFr1.6985 from SFr1.7100; and to FFr6.6425 from FFr6.6775. On Bank of England figures the dollar's index fell to 72.1 from 72.5.

August US retail sales rose 0.7 per cent, against expectations of 1.0 per cent.

There was also little reaction to yesterday's UK economic news. The main surprise was a fall of 36,000 in August UK unemployment - about double market expectations - suggesting a tight labour market and continuing upward pressure on wages. This had more impact in the gilt market however, with sterling holding steady on the unemployment news, the expected rise to 9.25 per cent in underlying July average earnings and a second quarter UK balance of payments deficit in line with forecasts at £4.9bn.

Sterling gained 65 points to $1.5595 and rose to Y228.50 from Y228.25, but eased to DM3.0700 from DM3.0750; to SFr2.6500 from SFr2.6550; and to FFr10.3600 from FFr10.3700.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4197	+2.26	+1.04	±1.5424
Danish Krone	7.85212	8.06600	+2.72	+1.50	±1.6419
German D-Mark	2.05853	2.07590	+0.84	-0.38	±1.1019
French Franc	6.90403	7.00842	+1.50	+0.28	±1.3719
Dutch Guilder	2.31943	2.33993	+0.88	-0.34	±1.5019
Irish Punt	0.768411	0.778308	+1.29	+0.07	±1.6689
Italian Lira	1483.58	1491.21	+0.51	-0.10	±4.0815
Spanish Peseta	133.804	129.677	-3.08	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sep.14	Latest	Previous Close
£ Spot	1.5555-1.5565	1.5590-1.5600
1 month	0.63-0.62pm	0.65-0.63pm
3 months	1.90-1.86pm	1.86-1.84pm
12 months	6.28-6.18pm	6.68-6.58pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Sep.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5580 - 1.5675	1.5590 - 1.5600	0.64-0.61cpm	4.81	1.88-1.83pm	4.76
Canada	1.8460 - 1.8515	1.8465 - 1.8475	0.26-0.17cpm	1.40	0.72-0.58pm	1.41
Netherlands	3.45½ - 3.46¼	3.45½ - 3.46½	1⅞-1⅛cpm	6.29	5¼-5⅛pm	6.00
Belgium	64.10 - 64.40	64.10 - 64.20	30-27cpm	5.33	85-80pm	5.14

STERLING INDEX

CURRENCY RATES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices hold steady

THREE-MONTH sterling futures showed little reaction to news yesterday on UK average earnings and employment data. Market attention remained focused on these two figures although they were largely in line with expectations.

Little attention was paid to UK second quarter current account revisions, where invisible earnings on a monthly basis were revised down from £400m to around £320m. Since most forward projections on trade data are based on an invisible surplus of £400m, the latest revisions could have an effect on figures later in the year.

However, the significance of this was either overlooked or ignored in the market yesterday. The December contract traded in a narrow six tick range before closing at 86.42 compared with 86.41 on Wednesday.

West German Government bonds were quite active, with reports of switching between the French Matif futures exchange and Liffe. Values were marked down from a firmer start amid rumours that West German lending rates may be increased, but finished little changed at 93.72 for December delivery from 93.71.

US Treasury bonds lost ground after the US Federal Reserve drained reserves from the New York money market. The December contract closed at 97-07 from 97-13 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
91	3-41	4-50	0-11	0-26
92	2-50	3-63	0-20	0-39
93	2-01	3-16	0-35	0-56
94	1-24	2-39	0-58	1-15
95	0-57	2-03	1-27	1-43
96	0-36	1-36	2-06	2-12
97	0-22	1-11	2-56	2-51

Estimated volume total, Calls 738 Puts 880

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
94	3-46	4-24	0-32	1-18
95	2-60	3-47	0-46	1-41
96	2-16	3-09	1-02	2-03
97	1-42	2-40	1-28	2-34
98	1-14	2-10	2-00	3-04
99	0-56	1-48	2-42	3-42
100	0-39	1-26	3-25	4-20

Estimated volume total, Calls 112 Puts 10

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9200	1.81	—	0.09	—
9250	1.39	1.72	0.17	0.49
9300	1.01	1.39	0.29	0.66
9350	0.70	1.11	0.48	0.88
9400	0.47	0.86	0.75	1.13
9450	0.28	0.65	1.06	1.42
9500	0.17	0.49	1.45	1.76

Estimated volume total, Calls 990 Puts 1375

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

BASE LENDING RATES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 61103

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Little reaction

INTEREST RATES were little changed in London yesterday. There was no reaction to the pound's firmer tone or the dollar's decline. UK average earnings for July failed to make any impression since the rise to 9.25 per cent was largely discounted.

Most investors expect UK rates to remain at current levels, or possibly even higher, at least until the end of the year. Three-month interbank money was quoted at 13¾-13⅝ per cent unchanged from Wednesday.

UK clearing bank base lending rate 14 per cent from May 24

Overnight money traded within a very narrow range, touching a low of 13¼ per cent before finishing at 13⅞-13¾ per cent.

The Bank of England forecast a flat position. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of any late assistance draining £116m. There was also a rise in the note circulation of £50m and banks brought forward balances £35m below target. These were partly offset by Exchequer transactions which added £200m. There was no intervention by the Bank in the morning or in the afternoon, after a revised forecast to a £50m shortage.

In Frankfurt, longer term rates were mostly firmer as the market continued to be influenced by suggestions that German interest rates may be increased later this year. Three-month money is now virtually discounting a half point rise in the discount rate, the latter currently standing at 7 per cent.

Pressure for an increase in rates is probably a little premature. The Bundesbank's central council is due to meet for its regular fortnightly meeting next Thursday. A change in rates then cannot be discounted but is regarded by many as unlikely.

The West German authorities are more likely to wait until after the meeting of the World Bank and International Monetary Fund, as well as the Group of Seven later this month, before making any changes in monetary policy.

In New York, the US Federal Reserve took funds out of the money market through overnight matched sale and repurchase agreements. Most traders were surprised by the Fed's intervention, although some economists suggested that the move was probably designed to serve as a reminder that the authorities are unlikely at the moment to sanction a further fall in rates. At the time of the intervention, overnight funds were trading at 8⅞ per cent, unchanged from Wednesday.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

JOTTER PAD

CROSSWORD

No.7,038 Set by CINEPHILE

SP has the same meaning wherever it occurs in the clues.

ACROSS

1 Take a chance in high speed SP (7)
5 and 9 See 18 down
10 Heathens surround canton with crabs (9)
11 Subscribed of old, obedient to summons? (9)
12 See 26
12 Fine and nice? (5)
15 Troubled by me, incline to be SP (9)
18 5 down's 24 SP in sleep towards end of June (9,5,6)
19 HQ of French vessel (5)
21 Tree where vehicle died? (5)
22 Gilbertian nobleman using fist on piano? (5,4)
25 One who paints Miss West? Solution: they used to live in Syria (9)
26, 12 British politician's demise? - at Canadian rail-head (3,2,5)
27 SP to return greeting (7)
28 Greek ruler going from February to April? (7)

DOWN

1 Dance - SP's for itself (7)
2 An odd cull, possibly, where the cuckoo lives? (9)
3 Stage direction to undertake race? (5)
4 Excessive prefix for one with Aaron's beard, for instance (9)
5 See 18 across and 20 down
6 Inn sign may show us the dark (5,4)
7 First-rate cross? (5)
8 Something I sell evidently includes ballet (7)
14 Sketch based on crescent? (9)
16 Something seriously wrong with model in conduct at home (6,3)
17 One who confiscates what weighs 1,000lbs? (9)
18, 8, 5 across SP's storm in a teacup (4,2,5,7)
20, 5 down SP after Christmas (7,5)
22 Get to length of river (5)
23 Month's back number produced by sea birds (5)
24 See 18 across

Solution to Puzzle No.7,037

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

JAPAN [illegible]

FRANCE (continued) [illegible]

GERMANY (continued) [illegible]

GERMANY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

ITALY [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

AUSTRALIA [illegible]

SINGAPORE [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm prices September 14

[illegible]

f – No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Sep 13	Sep 12	Sep 12	Sep 8	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2679.52	2707.26	2704.41	2709.54	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	92.94	92.96	93.02	93.06	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1469.24	1477.06	1469.59	1473.68	1532.01 (5/9)	959.95 (3/1)	1532.81 (5/9/89)	12.32 (8/7/32)
Utilities	214.10	215.92	215.61	215.98	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2725.87 (2726.06) Low 2671.35 (2689.59)

STANDARD AND POOR'S	Sep 13	Sep 12	Sep 12	Sep 8	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	345.46	348.70	347.66	348.76	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	395.38	399.24	397.99	399.47	405.27 (1/9)	318.66 (3/1)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	32.98	33.34	33.28	33.30	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	192.29	193.88	193.30	193.95	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	383.77	384.54	382.43	384.10	384.54 (12/9)	305.24 (3/1)	384.54 (12/9/89)	29.31 (9/12/72)
NASDAQ Composite	471.83	471.86	470.42	471.31	471.86 (12/9)	378.56 (3/1)	471.86 (12/9/89)	54.87 (31/10/72)

	Sep 8	Aug 25	Aug 18	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.39	3.44	3.71
	Sept. 6	Aug 30	Aug 23	year ago (approx.)
S & P Industrial div. yield	2.86	2.83	2.88	3.30
S & P Indl. P/E ratio	14.61	14.67	14.40	13.57

TRADING ACTIVITY † Volume Millions

	Sep 13	Sep 12	Sep 11
New York	177.278	143.175	127.074
Amex	14.921	11.728	10.877
OTC	159.935	151.059	113.494

NEW YORK	Sep 13	Sep 12	Sep 11
Issues Traded	1,969	1,967	1,975
Rises	549	818	533
Falls	908	615	934
Unchanged	512	534	508
New Highs	86	66	36
New Lows	14	14	22

CANADA

TORONTO	Sep 13	Sep 12	Sep 11	Sep 8	1989 High	1989 Low
Metals & Minerals	3707.7	3731.3	3735.5	3791.2	3919.2 (1/9)	3207.5 (3/1)
Composite	3917.0	3927.6	3926.3	3962.5	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2006.51	2012.93	2009.55	2027.46	2053.80 (1/9)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Nat Semiconductrs	3,471,900	7⅝	+ ⅜	Gen Electric	1,804,900	55⅜	− 1¼
Phelps Dodge	2,742,800	77¼	+ ⅞	Burling Res	1,744,600	47½	+ ¼
Am T & T	2,453,500	40	− ½	Circle K	1,726,200	7⅛	− 1¼
Exxon	2,319,100	44½	− ⅞	Tandem Comp	1,723,800	23⅝	+ ½
Nova Corp	1,988,200	8⅜	+ ¼	IBM	1,667,000	115⅜	− 1½

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep. 14	Sep. 13	Sep. 12	Sep. 11	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1733.0	1734.2	1741.3	1756.5	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	843.7	849.6	855.5	867.6	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	434.18	436.62	440.03	440.76	440.76 (11/9)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6676.81	6647.21	6612.11	6598.34	6676.81 (14/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	337.67	337.35	335.53	332.02	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	747.6	747.6	751.3	753.7	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	538.4	540.3	539.3	540.9	540.9 (11/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	124.7	125.6	125.5	125.2	125.9 (6/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	668.27	668.48	677.18	681.08	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	1997.8	1997.7	2023.2	2036.0	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1612.25	1609.66	1625.90	1641.93	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2612.82	2592.14	2610.15	2614.60	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	720.96	715.26	715.52	715.86	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34401.88	34286.94	34332.88	34113.6	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2518.43	2599.16	2595.85	2578.76	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen. (End 1983)	269.9	271.2	270.0	270.2	271.6 (8/9)	208.3 (3/1)
CBS All Shr (End 1983)	209.0	210.1	209.2	209.4	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	680.15	671.46	670.18	676.06	681.96 (8/9)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1411.30	1420.52	1413.42	1414.30	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1573.0♦	1560.0	1549.0	1550.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2735.0♦	2738.0	2746.0	2753.0	2838.0 (25/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	327.33	328.93	327.72	328.47	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4366.2	4389.9	4425.1	4464.9	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	799.0	807.6	815.7	(c)	829.1 (6/9)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	526.7	528.3	525.9	551.2 (3/8)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks
Thursday September 14 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	13.5m	787	+1	MHI	8.0m	1,150	+10
Sekisui House	12.8m	2,460	+40	Kobe Steel	6.9m	723	−1
Nippon Soda	10.0m	1,300	+20	KHI	0.8m	1,070	+20
Shokusan Jutaku	0.5m	1,400	+30	Hanshin Rlwys	0.8m	879	+27
Hazama	9.0m	1,620	+90	Kawasaki Steel	8.4m	830	0

3pm prices September 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
36¼	21¼	AAR	.44	1.3	22	311	34⅞	34⅛	34½	– ⅛
10	6⅞	ACM n	1.01	11		164	9⅛	6⅞	0	– ⅛
11⅝	10¼	ACMIn	1.26a	11.		590	11½	11⅜	11⅜	– ⅛
19⅝	6½	ACM M	n1 01	11.		320	9	6¾	8⅞	– ⅛
11½	10	ACM Sc	1.26	11.		785	11¾	11⅝	11⅝	– ⅛
9⅞	6⅝	ACMSp	1 01	11.		377	9⅛	3	8⅝	
18	11½	AL Lab	.12	.7	19	117	18¾	18⅜	18½	– ⅜
4⅛	3⅛	AMCA	.12e	3.4	23	50	3¾	3½	6½	– ⅛
6⅛	4⅞	AM Intl				280	5½	5⅜	5⅜	– ⅛
23½	20⅞	AM In pf	2	9.1		12	21⅞	21⅞	21⅞	
96	45	AMR			9	9848	81½	78	80½	–3¼
7¼	3⅞	ARX				77	3⅞	3¾	3⅞	
44¾	35½	ASA	3a	7.1		517	42¼	41⅞	42⅛	+ ⅛
22⅝	15¼	AVX	.24	1.2	9	117	20½	10⅞	20⅛	– ⅛
66	44½	AbtLab	1.40	2.3	17	2238	62¼	61½	62⅛	
18⅛	13⅝	Abitibl g	1			86	16	14⅞	15	
13	7½	AcmeC	.40	3.8		14	10½	10⅜	10⅜	– ⅛
9¾	5⅞	AcmeE	.32	3.4	11	24	9⅛	9⅛	9⅛	– ⅛
34⅞	20¼	Acuson			23	268	32½	31⅝	31⅝	– ⅛
17	14¼	AdaEx	1.92e	11.		120	16⅞	16½	16⅝	– ⅛
12⅞	6½	Adobe				108	12	11¾	11¾	– ⅛
19⅝	16½	Adob pf	1 84	9.5		12	18⅝	19¼	19⅜	+ ⅛
21⅝	10⅞	Adob pf	2.40	11.		4	21¾	21	21⅛	

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29	16¼	TCBY	.08	.4	24	1947	22⅝	21⅝	22¼	+ ⅝
17⅞	8⅞	TCF Fn	.40	2.5	10	62	16¼	16	16⅛	+ ⅛
8½	7½	TCW	.84	10.		504	8⅝	8⅛	8⅛	– ⅛
44¼	35	TDK e			27	108	39	39	39	+ ⅝
27⅛	22	TECO	1.52	5.8	12	578	26⅛	26	26	– ⅛
15½	8½	TGIF			19	45	14¼	14⅛	14¼	
16¼	8⅝	TIS	1.32e	16.		153	8⅝	8½	8½	–
20¼	14⅞	TJX	.40a	2.2	123	1066	18⅝	18⅛	18⅝	– ⅛
22⅛	18½	TNP	1.56	7.4	6	20	21⅛	21	20	– ⅝
49⅞	40⅝	TRW	1.72a	3.6	11	998	47⅞	47¼	47⅞	– ⅛
39	16⅞	TW Svc	.05j		27	841	35	57⅝	57⅝	–1

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38⅝	29½	UnvFd e	.08	2.0	16	4090	34⅛	23⅞	34	+ ⅛
14⅞	11⅞	UnvHR	1.40	10.	16	7	14⅛	14⅝	14⅝	+ ⅛
8⅛	5½	UMatch			47	68	6⅞	6⅝	6⅝	– ⅛
5⅞	1⅞	UnvMed	.10e	3.4		393	9⅝	2⅞	2½	– ⅛
10½	9⅞	UnMd pf				1	7½	7½	7½	+ ½
58¼	33⅞	Unocal	1	1.8	14	6516	56	54⅞	54⅞	–1½
42	27	Upjohn	.88	2.4	18	10724	37⅝	36⅛	36⅞	– ⅛
10	8	USACaf	1	10.	18	6	9⅞	9⅝	9⅝	
46⅛	32⅞	USLIFE	1.40	3.0	11	476	46⅛	46	46	– ⅛
37	34⅛	USLF pr	2.35	6.3		4	36	36	36	
9⅝	8½	UtilieF	.80	11.		17	9½	9⅛	9⅛	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
1⅝	⅛	Wurltch				86	½	½	½	
18⅛	7⅞	WylaLb	.28	3.2	14	130	8⅞	8¾	8¾	– ⅛
28	19⅞	Wynns	.56	2.3	12	14	25	20	25	+ ¼
15½	4½	Wyse				561	7	6⅛	5⅛	– ¼
		– X–Y–Z –								
69	58⅞	Xerox	3	4.6	19	3306	66	64⅞	65⅞	– ⅞
44⅛	29⅞	XTRA	.72	2.3	10	73	31⅞	31⅛	31⅛	– ⅛
4⅞	2	Zapata				35	2⅝	2½	2⅝	
22⅝	14⅞	ZenithE				346	16⅞	16⅛	16⅛	– ¼
15⅛	8⅞	Zenlnc	1.26	15.		456	8½	d 8⅛	8⅛	– ⅛
2⅝	1⅛	vjZenLb				1219	1⅛	1⅛	1⅛	
21½	16	ZenNt	.84	4.3	0	13	19⅝	18½	19½	– ⅛
18½	11⅞	Zero e	.40	2.2	17	41	18⅛	18	18	– ¼
44¼	23⅝	Zurnln	.60	1.8	19	341	38¼	38	38	– ⅛
12	10	Zweig	1.80e	9.3		372	11⅞	11⅝	11⅞	+ ⅛
10⅛	8⅞	Zweig n	.96	10.		1487	9½	9⅛	9⅛	– ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 20 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices September 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
AT&E			147	12⅞	12⅝	12⅞	– ⅛
Cusmd			48	7-16	⅛	⅛	
IntBknt		12	404	4⅞	4½	4⅝	– ⅛
IntPwr		21	2	4⅛	4⅛	4⅛	
IntTich			1203	5⅝	5⅛	5⅝	– ⅛
IntThr			629	17-32	15-32	½	+ 1-16
ProlCre		12	133	6⅛	6	6	– ⅛
			– R–R –				
RBW		13	1	6⅞	6⅞	6⅞	+ ⅛
Ragan	.32		1	23⅛	20⅛	23⅛	+ ½

OVER-THE-COUNTER

Nasdaq national market, 3pm prices September 14

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Wolohe	.28	10	65	20¼	19½	16½	– ¼
WlvEx h			1139	9¼	6⅞	3⅞	– ½
Worthg	.56	16	1649	24⅞	24½	24½	– ⅛
Wyman	.80	180	136	19¼	19	19	– ½
			– X–Y–Z –				
XL Dta e		18	445	24¼	23⅞	23½	– ¼
XOMA			1959	23¼	22½	22½	– ½
Xicor		3	221	6¼	6	6⅛	
YelowF	.75	11	2900	20¼	29½	29¾	– ½
ZionUt	1.44		47	30½	29¼	30½	+ ¼
Zycad			504	2¼	2⅛	2⅛	– ⅛

AMERICA

Jittery Dow picks up from sharp midday fall

Wall Street

ALREADY nervous after Wednesday's futures-related sell-off, the equity market was whipped in both directions in volatile trading yestarday morning, *writes Janet Bush in New York.*

Between 11.30 and noon, the Dow Jones Industrial Average dropped from being 9.88 points lower to being 20.52 points down, a sharp movement which has become almost habitual this week because of heavy activity by programme traders in stock index arbitrage plays.

However, it then started recovering. At 2 pm, the Dow was quoted 12.16 points lower at 2,667.36 on moderately active volume of 85m shares by midsession.

Relatively substantial falls in the main indicee oo the American Stock Exchange and the Nasdaq over-tbe-connter market, neitber of tbem directly affected by stock index arbitrage, pointed to georeralised selling of stocks.

Weakness appeared in issues which have been boosted by takeover eperulation becanse of concern about the financial healtb of Campeau Corp of Canada, struggling to pay off tbe substantial debt incurred in its acquisition of Federated Department Stores and Allied Stores.

Campeau yesterday reported a loss in the second quarter of $124m compared with a loss of $109m a year earlier. The latest loss came in spite of a pre-tax gain of $24m on the sale of assets.

The junk bond market suffered significant selling pressure on Wednesday after news that Federated and Allied Stores faced acute liquidity problems and difficulty in repaying their debts.

There has been some selling of junk bond holdings hy mutual funds altbongh this has apparently not been on a large scale so far.

Takeover-related issues suffered from concern that, if the junk bond market continues to be shaky, it would be difficult for companies to find the financing to launch leveraged bids.

The sharp fall in equities yesterday morning came in spite of a rally in tbe bond market which reacted poeitively to news of a smaller than expected 0.7 per cent rise in August retail sales and a substantial downward revision to the increase in sales in July.

The bond market was hoping these figures would belp tip tbe balance towards lower interest rates although the Fed clearly signalled in its money market operations yesterday that policy remained unchanged.

Financial markets still have to digest today's batch of economic data whicb includes August industrial production, capacity use and producar prices as well as the July trade balance and July business inventories.

Among rumoured takeover candidates undar pressure yesterday was F.W. Woolworth, which dropped $2⅝ to $65⅝. Oil stocks, which had benefited from takeover speculation on rumours that British Petroleum may buy a US oil company, which BP has denied, were also lower. Phillips Petroleum dropped $1¼ to $26⅝ and Unocal fell $⅞ to $55¼.

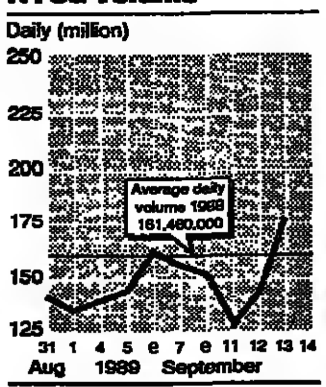
Valero Energy, whicb has been rising on takeover speculation, fell $1⅝ to $17⅛ after the company said it had no plans to go private and had not been approached by any suitors.

AMRE, which makes exterior housing products, added $1½ to $9¼ after news that three top executives were coneidering a possible management buy-out.

Airlines were sharply lower, taking the Dow Jones Transportation Average down 20.45 to 1,448.79 at midsession.

Mr Marvin Davis, the California investor who has offered $6.19bn for UAL, said be would not consider npping his bid until the board had considered the $6.75bn management and employee bid. Some felt this meant that it might be easier for UAL to accept the management/employee bid. UAL fell $1 to $281⅛.

NYSE volume



Canada

A MIDSESSION plunge In Toronto took the composite index below 3,900 for the first time since July 28, falling 30 to 3,987.0.

Trading, in which 20.9m shares changed hands, was described as lethargic and perplexed.

The troubles facing Campeau Corp have apparently raised worries in the market abont indebted companies.

Laidlaw, the most active stock, was steady at C$19⅝. Falconbridge rose C$¼ to C$36⅞, with the tender offer for its shares expiring today.

EUROPE

An unsettled background curbs the urge to surge

IN SOME Continental markets, belief in good fundamentals seems to be overtaking recent fears of rising too far, too fast. However, in others, events in America are raising eyebrows, *writes Our Markets Staff.*

FRANKFURT crept out of trouble. It was down at the opening, but more or less even by mid-session, when the FAZ index was 0.21 lower at 668.27. By the close, the DAX was 2.63 higher at 1,612.29, ending a three-day string of losses and an aggregate drop of 47.85.

However, volume stayed moderate, virtually unchanged at DM4.1bn, and local professionals doubted whether the period of consolidation is over. The financial difficulties of the Co op retail group, Daimler's long-awaited rights issue terms and the argument over key interest rates are still around to trouble investors.

Engineers posted moderate gains, helped by the excellent prospects of the German capital goods industry, and presentations to analysts awaited in Hanover. Klöckner-Humboldt-Deutz (KHD), which is expected to return to profit this year, rose DM8 to DM810.

Old stories also came back into fashion. Preussag, the metals group, led the actives list with turnover of DM283m and its shares DM10.50 higher at DM319.50 on lingering takeover talk. The lossmaking computer company, Nixdorf, put on DM11 to DM366 on better second half prospects, and rumours that a bank is accumulating its shares.

MILAN closed higher in active trading on the last day of the four-week account, as investors moved to close short positions after last week's bout of selling. The Comit index rose 5.70 to 720.96.

However, one of the most encouraging Italian stories happened in London where the Enimont issue, seven times oversubscribed at a price of L1,420, got its first quote on the Seaq (Stock Exchange Automated Quotations) system at a price of around L1,580, for a premium of L160.

In contrast, Thursday's Milan session also marked the reinstatement of the liquid gas manufacturer, Siossigeno, suspended on August 25 at L48,000 pending a bid from the French chemical group, Air Liquide, for the 49 per cent of Siossigeno it does not own.

Unfortunately, the bid price is L46,000 and Siossigeno fell L2,700 to L45,300. Another stock to buck the upward trend was Olivetti, which is in the middle of a rights issue. The shares go ex-rights today and while they rose L26 to L9,001 at the official close, the price was back down to L8,950 in the after-market.

PARIS weakened on a combination of nervousness about Wall Street's drop on Wednesday and the high level of French share prices, and a measure of disappointment over the latest showings in the half-year results season.

BSN, the widely held foods group, fell FFr25 to FFr736 after its 12 per cent rise in first half profits came in a little below expectations. The figures contained the financing costs of the purchase of RJR Nabisco's European biscuit producers, while profits in the champagne and minerals division did not keep pace with increasing sales because of a heavy advertising campaign in the US, one analyst explained.

Peugeot lost FFr24 to FFr918 on concern over the spreading strikes at the company's plants in eastern France and over possible government measures to raise the tax on diesel fuel. France has 2.3m private diesel cars, and Peugeot accounts for 40 per cent of this market.

Institut Mérieux fell FFr250 to FFr6,100 as investors braced for a possible counter-bid from the vaccines maker for Connaught BioSciences of Canada, for which Ciba-Geigy of Switzerland has bid. Mérieux, controlled by Rhône-Poulenc, the chemicals group, proposed a merger with Connaught earlier this year.

Against the trend, Navigation Mixte rose FFr55 to FFr223 in very heavy turnover of about 600,000 shares, or 5 per cent of the share capital. The holding company, which controls Via Assurance, has long been mooted as a takeover candidate and there is speculation that someone is building a stake. One suggestion is that Paribas, the banking group which has been left in the shade recently while its rival Suez has been busy taking over Groupe Victoire, might be interested in Navigation Mixte, and especially its insurance interests. Mixte subsidiary Via Banque also rose sharply, jumping FFr25 to FFr450.

The OMF 50 index lost 4.8 to 527.26 and turnover was thought to be moderate, probably below Wednesday's FFr3.1bn.

AMSTERDAM continued to mark time, easing slightly as the uncertain political environment, Wall Street's overnight losses and a lower dollar discouraged investors. The CBS tendency index lost 0.6 to 195.5 in moderate turnover worth Fl 751m.

Royal Dutch fell Fl 1.20 to Fl 153.10 on profit-taking after announcing an interim dividend of Fl 3.25, up from Fl 3 and in line with market expectations. The stock goes ex dividend on Monday.

Amro Bank fell a further Fl 1.50 to Fl 83.40 because of its stake in Co op, the German retailer which faces bankruptcy.

VNU, the publisher, rose Fl 2.80 to Fl 112 against the trend after a recommendation from a Dutch brokerage.

ZURICH fell again as Wall Street's Wednesday fall and the fluctuations in the dollar brought more uncertainty into the market. The Crédit Suisse index fell 5.5 to 650.7, a drop of 19.5 since Monday's local holiday.

MADRID ran into profit-taking and the sharp fall in New York on Wednesday night did not help. The general index lost 1.6 to 327.33 as the electrical utilities, which have powered the latest run, saw some fairly hefty falls.

BRUSSELS reached another high, again on selective buying, and the cash index rose 29.6 to 6,676.61. Cockerill, the steelmaker whose share issue was subscribed on its first day, jumped BFr22 to BFr316 on 283,000 shares traded. Acec-Union Minière, the engineering and metals group, climbed BFr48 to BFr708 on expectations of strong results.

OSLO was also at a new peak, with bank shares coming out of the shadows with some strong gains on optimism about the state of the economy. The all-share index rose 6.94 to 534.53.

Singapore investors ignore US stocks link

SINGAPORE investors have shown little interest in buying stocks available through an 18-month-old link with the US National Association of Securities Dealers Automated Quotation System (Nasdaq), *Reuter reports.*

"There has been virtually no trading. I have stopped looking at the market," said a broking house director.

To promote Singapore as a regional securities trading centre, the Singapore stock exchange launched trading via a link between Nasdaq and its local equivalent, the Singapore Dealing and Automated Quotation System.

The link allows Nasdaq closing prices and volumes to be transmitted electronically to Singapore early each morning, enabling local market makers to offer opening prices.

Although 28 US companies and seven American Depository Receipts (ADRs) are listed, trading has been limited to fewer than half a dozen issues, dealers said.

"Many people are not interested in Nasdaq stocks because they are not familiar with the US equity market," a dealer said. "Investors are also discouraged by the market's lack of liquidity, wide spreads between buy and sell prices and costly Nasdaq shares."

Figures show just 46,500 Nasdaq shares traded in Singapore in the second quarter of this year compared with 67,200 in April-June last year.

Mr Georgie Lee, chief dealer at DBS Securities Singapore, is optimistic, however. "It will take a while for the Nasdaq market here to develop," he said. "Those who are active in the US market tend to trade directly."

A spokesman for the Stock Exchange of Singapore said the exchange recently wrote to market makers to complain about spreads that range from US$3.50 to US$59 a share.

In their defence, dealers said they often had difficulty getting the shares clients requested and paid much higher prices than closing New York levels.

Trade in Nasdaq stocks is also faltering because prices are several times higher than those of locally-listed blue chips, dealers said.

ASIA PACIFIC

Nikkei rises but caution still rules

Tokyo

A REBOUND in the yen encouraged investors yesterday, but it was not enough to remove their underlying caution. Share prices took a bumpy ride uphill, closing higher in sluggish trading, *writes Michiyo Nakamoto in Tokyo.*

After moving from a low of 34,261.92, the Nikkei average closed 114.94 higher at the day's high of 34,401.88. Advances led declines by 587 to 332 while 196 issues were unchanged.

Volume, however, was thinner still, at 585m shares compared with 638m on Wednesday. The Topix index of all listed shares rose 19.27 to 2,618.43. In London, the ISE/Nikkei 50 index rose 1.58 to 2,023.83.

A good chunk of the Nikkei's late gains was attributed to arbitrage-linked buying. Although the yen recovered during the day, investors were still cautious about today's announcement of key US economic figures – the July trade balance, and the August wholesale price index.

Investors also preferred to remain on the sidelines because the market will be closed today for a national holiday. Few expect a major rally in the near future, although the Japanese economy's strong fundamentals are expected to support the market in the long run.

Cyclical buying continued in smaller companies and stocks protected from interest rate or currency fluctuations. The market has been compared to a cat's eyes, with interest flicking rapidly from issue to issue.

Engineers featured on the strength of reports that Japanese companies have been spending record sums on capital investment. Kubota, a leading industrial equipment maker, gained Y40 to Y1,240, while Okamura, the largest domestic office furniture maker, also rose Y40 to Y1,680. Fanuc, the maker of computer controlled machine tools and industrial robots, advanced Y150 to Y7,090.

Housing issues attracted attention, with Sekisui House rising Y40 to Y2,460 and Shokusan Jutaku adding Y30 to Y1,400. Sekisui House was second on the volumes list with 12.9m shares.

Investors expected housing companies to benefit from government movee to improve Japan's infrastructure and housing. Those expectations also benefited some of the general contractors and railway companies.

In addition, investors felt these issues had been underperforming. Hazama advanced Y90 to Y1,630 and Sato Kogyo gained Y100 to Y2,030. Keio Teito Railways added Y60 to Y1,470 and Hanshin Railways rose Y27 to Y979.

The Government's decision to postpone the fourth issue of Nippon Telegraph and Telephone (NTT) shares, announced late on Wednesday, triggered a recovery.

NTT had seen its share price slide after revelations that the company's former chairman had been involved in the Recruit share sale scandal. Yesterday it closed Y20,000 higher at Y1.53m after reaching a high for the day of Y1.55m.

Small companies were active in Osaka. The OSE average firmed 103.17 to 34,840.08 but volume fell to 91.3m shares compared with 101.5m on Wednesday.

Roundup

THERE was a reversal of fortunes in Asia Pacific markets, with Australia turning round from initial losses, Hong Kong enjoying a technical recovery and Singapore losing ground.

AUSTRALIA staged a late comeback to close little changed, as a rally in the futures market triggered strong support for blue chip issues. The All Ordinaries index closed 1.2 lower at 1,733.0 in moderate turnover, after an early decline to 1,715.5.

The recovery tracked the performance of the September Share Price Index futures contract, which recovered its premium to the All Ordinaries yesterday with a rise of 25 to 1,741.0. The contract reflects sentiment about market prospects, plus a little arbitrage. It fell behind the market on Monday for the first time in six months, staying below on Tuesday and Wednesday, but by yesterday it had some good news to digest.

Strong results left North Broken Hill, the mining group, 8 cents higher at A$3.10 while Coles Myer, Australia's biggest retailer, lifted half-time profits by nearly a fifth and its shares by 14 cents to A$8.84.

The market's industrial heavyweight, BHP, closed 2 cents firmer at A$9.86, up from a low of A$9.66. Speculation persisted that BHP would announce a rights issue with its quarterly report today, although the company has denied it.

NEW ZEALAND ended lower as the Barclays index fell 21.72 to 2,349.97. Trading was quite light, volume amounting to 10m shares worth NZ$24m against Wednesday's 16m and NZ$56m.

HONG KONG picked up after three days of losses to close higher before the three-day holiday weekend, starting today. The Hang Seng index gained 20.68 to 2,612.82 in slightly higher turnover worth HK$765m, compared with HK$656m on Wednesday.

Local newspaper reports suggesting that Li Peng, the hardline Chinese premier, would be replaced gave a boost to market sentiment, as did reports that Deng Xiaoping, the Chinese leader who is thought to be ailing, would make an appearance next week.

Hongkong Bank rose 10 cents to HK$6.25 in active trade.

SINGAPORE went off the boil as profit-taking sent the Straits Times industrial index down 9.22 to 1,411.30 and declines outnumbered rises by 187 to 52. Turnover fell as well, from Wednesday's 94m shares to 77m.

Malaysia Mining Corporation rose 5 cents to S$2.83 after better than expected interim results, giving earnings per share of 10.3 cents compared with 3.9 cents a year ago.

There was further concern about potential overheating in the property market, and Singapore Land lost 30 cents to S$12.90, while City Developments dropped 20 cents to S$4.12.

There has been nervous talk in the press – local banks are reducing the amount of 100 per cent mortgage finance on offer because of the strength of the residential market, and there is concern among developers that the planned sale of 53 hectares of government land to the private sector by the end of 1991 could cause an oversupply. However, according to Mr David Bates of James Capel, the Government would be unlikely to allow a problem of oversupply to develop.

Taiwan and South Korea were closed for holidays.

BOMBAY share prices rose sharply for a second day running, on beavy buying hy state-owned investment trusts. Rumours that the Government may announce tax concessions for the corporate sector also lifted the market.

Brokers were saying that a queue of companies are in line to raise a total of Rs40bn ($2.4bn) from the capital market before December's national elections, and that the Government is keen to see these plans succeed.

The institutional buying is seen as government-inspired, and there are rumours that a provision for minimum corporate taxes could be withdrawn to help market sentiment.

SOUTH AFRICA

GOLD shares closed higher in Johannesburg, helped by the rise in the bullion price. The overall index also rose, but trading was cautions.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 13 1989						TUESDAY SEPTEMBER 12 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	154.50	+1.3	147.49	132.20	−0.4	4.80	152.57	146.21	132.68	157.14	128.28	140.18
Austria (18)	148.06	−0.4	142.30	153.46	−0.8	1.59	149.69	143.46	154.42	150.67	92.84	68.52
Belgium (63)	134.74	+0.9	128.63	137.90	+0.7	4.01	133.51	127.95	136.97	137.97	125.58	114.88
Canada (123)	148.15	−0.1	141.44	127.23	−0.3	3.17	148.36	142.18	127.68	153.59	124.67	118.48
Denmark (36)	195.43	+1.1	186.57	204.14	+0.7	1.56	193.28	185.23	202.57	219.89	165.35	124.02
Finland (26)	130.70	+0.6	124.77	122.09	+0.2	2.25	129.91	124.50	121.54	159.18	125.81	116.36
France (126)	130.93	+0.3	124.99	137.14	+0.1	2.75	130.55	125.11	137.05	133.44	112.57	94.11
West Germany (98)	96.04	−0.8	91.69	98.86	−1.3	2.06	96.96	92.92	100.16	100.53	79.56	77.36
Hong Kong (48)	109.27	−0.7	104.32	109.55	−0.7	5.07	110.06	105.48	110.34	140.33	86.41	101.18
Ireland (17)	151.56	+0.8	144.69	158.54	+0.4	2.79	150.42	144.18	157.94	166.89	125.00	128.04
Italy (97)	92.24	+0.1	88.06	97.75	−0.2	2.30	92.13	88.29	97.98	96.73	74.97	69.86
Japan (455)	176.47	+0.2	168.47	163.92	+0.1	0.49	176.14	168.80	163.78	200.11	164.22	159.41
Malaysia (36)	199.85	+0.2	190.79	207.90	+0.2	2.47	199.49	191.19	207.56	199.87	143.35	138.75
Mexico (13)	321.99	+1.0	307.39	905.81	+1.0	0.56	318.70	305.43	897.26	321.99	153.32	149.48
Netherland (43)	127.59	+0.8	121.80	129.86	+0.4	4.02	126.47	121.21	129.30	130.67	110.63	102.35
New Zealand (20)	86.18	−0.5	82.27	77.11	−1.5	4.55	86.59	82.98	78.26	88.18	62.64	71.78
Norway (24)	182.50	+0.7	174.22	178.23	+0.3	1.45	181.30	178.75	177.67	198.39	139.92	108.41
Singapore (26)	168.70	+0.4	161.05	153.93	+0.2	1.82	168.02	161.02	153.58	170.82	124.57	121.78
South Africa (60)	155.31	+0.2	148.27	135.53	+0.2	4.17	154.98	148.53	135.24	157.59	115.35	105.14
Spain (43)	160.60	+0.8	153.32	150.14	+0.1	3.42	159.69	153.04	148.95	160.94	143.14	135.72
Sweden (35)	177.55	−0.4	169.50	175.12	−0.7	1.96	178.22	170.80	176.31	186.94	138.45	115.43
Switzerland (54)	87.90	−0.6	83.92	93.19	−1.0	2.02	88.47	84.76	94.12	94.16	67.61	74.61
United Kingdom (306)	153.12	+0.5	146.18	146.18	+0.1	4.03	152.31	145.97	145.97	158.41	133.28	123.01
USA (549)	140.58	−0.8	134.21	140.58	−0.9	3.31	141.81	136.00	141.81	143.84	112.13	110.06
Europe (997)	128.42	+0.2	122.60	127.58	−0.1	3.23	128.14	122.61	127.76	132.62	112.63	101.39
Nordic (121)	164.99	+0.3	157.51	159.71	+0.0	1.78	164.47	157.62	159.75	178.38	137.95	108.76
Pacific Basin (670)	173.23	+0.2	165.37	160.73	+0.1	0.73	172.87	165.67	160.65	194.72	160.44	156.32
Euro – Pacific (1667)	155.44	+0.2	148.40	147.34	+0.0	1.57	155.11	148.66	147.35	166.98	141.56	134.36
North America (672)	140.94	−0.9	134.54	139.75	−0.6	3.30	142.19	136.27	141.01	144.24	112.79	110.50
Europe Ex. UK (691)	112.75	+0.0	107.64	116.09	−0.4	2.64	112.77	108.07	116.51	116.28	96.30	87.85
Pacific Ex. Japan (215)	134.09	+0.5	126.01	120.61	−0.5	4.56	133.41	127.88	121.18	137.65	111.93	119.10
World Ex. US (1863)	155.29	+0.2	148.25	146.60	+0.0	1.65	154.98	148.53	146.82	166.35	141.49	133.53
World Ex. UK (2106)	148.60	−0.3	141.86	144.50	−0.4	2.02	146.97	142.77	145.04	155.66	136.98	124.53
World Ex. So. Af. (2352)	148.95	−0.2	142.19	144.69	−0.3	2.18	149.22	143.01	145.17	155.92	136.67	124.49
World Ex. Japan (1957)	136.28	−0.4	130.10	135.00	−0.6	3.34	136.86	131.18	135.81	138.29	114.51	107.60
Tha World Index (2412)	148.98	−0.2	142.23	144.62	−0.3	2.20	149.25	143.04	145.10	155.89	136.88	124.37

Latest prices were unavailable for thia edition.